Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100						
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	SR7.00						
Belgium	BFr48	Italy	L1600	Singapore	S$4.10						
Canada	C$1.00	Japan	Y600	Spain	Pta125						
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rs30						
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00						
Egypt	E£2.25	Lebanon	$US1.25	Switz	SFr2.20						
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65						
France	FFr8.00	Malaysia	Rin4.25	Thailand	Bt60						
Germany	DM2.20	Mexico	Peso	Tunisia	Din0.800						
Greece	Dr100	Morocco	Dh6.00	Turkey	L500						
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50						
India	Rs15	Norway	NKr10.00	USA	$1.00						

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,492 Friday March 18 1988 D 8523 A

Putting capitalism in the UK on a moral pedestal, Page 25

World News

Afghanistan withdrawal talks close to collapse

The Geneva talks on Soviet withdrawal from Afghanistan were close to collapse over a major new obstacle introduced by Afghanistan without the backing of the Soviet Union.

At the same time Moscow announced that if there was no agreement in Geneva it would pull out its 115,000 troops from Afghanistan anyway – in its own way and in its own time. Page 4

W. German floods halt shipping

Flooding along the Rhine and other rivers in West Germany worsened, closing more than 150km of waterway to shipping. Thousands of people in towns along the Rhine, Main, Neckar and Danube rivers went about in boats or left for higher ground.

Roads and homes near Coblenz were under water. Hotels and houses in Heidelberg were evacuated and as the Rhine rose 6m higher than normal, officials warned that melting snow would aggravate the problems.

Iran 'making missiles'

Some of the 35 long-range missiles fired by Iran at Baghdad in exchanges with Iraq which began 17 days ago were domestically manufactured copies of foreign missiles, an Iranian defence official said. Page 4

French ferry strike

French ferry crews voted to strike in a dispute over staff levels, halting ferry sailings between Dover and Calais already disrupted by a six-week walk-out by more than 2,000 P&O seamen. Strike ballot urged, Page 15

Hanoi seeks peace talks

Vietnam called for peace talks with China to settle their dispute over the Spratly Islands, which erupted into a naval battle on Monday.

Portuguese challenge

The Portuguese Government ordered striking transport workers back to work in an effort to avert road chaos in Lisbon during a 24-hour stoppage by Communist-led bus, metro and ferry workers. Page 3

'Pogrom city' sackings

The Communist Party chief and mayor of the Azerbaijan city of Sumgait – where Armenians were hunted and killed last month in what was described as a "pogrom" – were sacked. Moscow blames Britain, Page 2

Salvador rebel raid

Leftwing rebels burned down government offices in a town in northern El Salvador as the military pledged to guarantee elections on Sunday despite a new guerrilla offensive.

Hong Kong fast

Sixty students started a 30-hour hunger strike outside Hong Kong's legislature, calling on the Government to institute immediately democratic reforms.

Airport walkout

Air traffic controllers at Schiphol Airport near Amsterdam staged a two-hour walk-out in protest against job transfers, disrupting the departure of about 40 flights.

Power line cancer link

Britain's state-owned electricity industry set up an inquiry into a possible link between overhead power lines and cancer following a doctor's warning that exposure to electromagnetic fields from high-voltage cables might cause leukaemia.

Hess reburied

Hitler's deputy, Rudolf Hess, who died last August after 41 years in jail, was reburied secretly in his family grave in Wunsiedel, Bavaria. He was originally buried at a secret location because police feared neo-Nazi demonstrations.

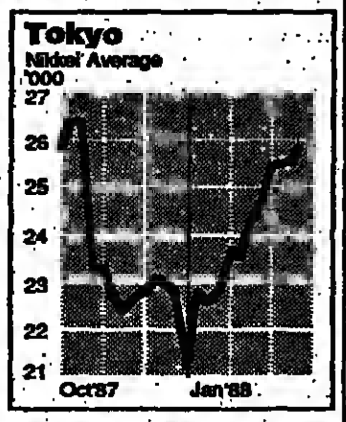
Business Summary

UK banks cut base rates to 8.5 per cent

BRITAIN'S leading banks cut their base rates by 0.5 percentage points to 8.5 per cent as Mr Nigel Lawson, the UK Chancellor, sought to stem a post-Budget surge in the pound's value. Page 26

LONDON: UK equity market failed to take much joy from the half-point cut in bank base rates and favourable US trade data. The FT-SE 100 index closed just 2.4 higher on the day at 1,828.1. Page 46

TOKYO: Active buying of high-technology and biotechnology-linked stocks spurred the Nikkei average back to its pre-crash level for the first time in Tokyo.



The index climbed 167.86 to finish at 25,872.29. By the end of the day the Nikkei had breached the level of 25,746.56 reached on October 19, the day before it joined in the global market plunge. Page 50

WALL STREET: The Dow Jones industrial average closed up 21.72 at 2086.04. Page 50

DOLLAR closed in New York at DM1.6915; Y128.70; SFr1.4030; FFr5.7445. It closed in London at DM1.6905 (DM1.6725); Y128.60 (Y127.40); SFr1.4010 (SFr1.3845); FFr5.7400 (FFr5.6850). Page 39

STERLING closed in New York at $1.8695. It closed in London at $1.8325 ($1.8475); DM3.0975 (DM3.0900); Y235.75 (Y235.50); SFr2.5675 (SFr2.5575); FFr10.5200 (FFr10.5025). Page 39

SIR RON BRIERLEY and Kerry Packer, two of Australasia's best-known entrepreneurs, have teamed up to make an A$825m (US$605.7m) bid for Bell Resources, key company in the empire of Robert Holmes à Court, long-standing rival. Page 26

MONTEDISON, diversified Italian chemicals group, said proceeds from sales of non-strategic assets in recent weeks climbed to about L350bn ($282.4m) when it announced a deal with an Italian-Swedish consortium. Page 27

LANDESBANK Rheinland-Pfalz, West Germany's 13th biggest bank, is buying a 50 per cent stake in Zadelhoff Deutschland, leading commercial property agent. Page 29

AMERICAN STANDARD, US plumbing fixtures group which has been fighting off a bid from Black & Decker, US tool group, has announced a plan to go private in a $2.5bn leveraged buy-out. Page 27

SEC and Commodities Futures Trading Commission, key US regulatory bodies examining ways to dampen volatility in response to the October stock market collapse, do not appear to be near a consensus for concrete action. Page 26

COPENHAGEN Stock Exchange will be closed from March 23 to 28 to convert physical share certificates to electronic registrations with the securities registration centre. Page 30

PHILADELPHIA Stock Exchange has unveiled a product which would allow investors to trade a basket of shares without having to buy options or futures contracts on any of the major stock market indices. Page 27

OCELOT INDUSTRIES, troubled western-Canadian energy and petrochemicals group, plans to sell nearly all its Alberta oil and gas assets to Imperial Oil, Exxon subsidiary. Page 27

Ortega plea over US troops in Honduras

BY LIONEL BARBER IN WASHINGTON

US TROOPS landed at the main American airbase in central Honduras yesterday in a show of force against reported border incursions by the Nicaraguan army in pursuit of US-backed Contra rebels.

President Ronald Reagan's emergency deployment of some 3,200 troops from airborne and infantry divisions spurred the Sandinista Government in Nicaragua to mobilise military reserves and prepare defences.

In Washington, Democrat leaders called Mr Reagan's decision an overreaction and voiced scepticism about Administration charges that the Sandinistas had invaded Honduras. But their criticism was muted slightly by official pledges that the US troops would not be sent to combat zones.

In Managua, President Daniel Ortega called for an urgent meeting of the United Nations Security Council to demand the withdrawal of US troops, whose deployment he described as a "very dangerous act."

Accusing Mr Reagan of wanting to act like "Superman," Mr Ortega warned: "Superman was defeated in Vietnam... and Superman will be defeated again if he disembarks in Nicaraguan territory."

The US show of force appears aimed at protecting Contra rebel base camps along the Honduran border, while putting pressure on the Democrats to agree to an early restoration of Contra aid, which was cut off by Congress last month.

Mr George Shultz, US Secretary of State, testifying before Congress, suggested that the Administration wanted to send a signal to the Sandinista Government not to take advantage of the Contras' vulnerability.

"They (the troops) are designed to say to the Government of Honduras that we are your friends and we stand with you and if you are invaded you can count on the United States," Mr Shultz said.

The first contingent of US troops left the US yesterday morning for Palmerola, near the Honduran capital Tegucigalpa.

The airlift was expected to be complete by midnight last night.

A senior Nicaraguan Foreign Ministry official Mr Alejandro Bendana confirmed that Sandinista forces had engaged Contra troops along the border. "The operations have successfully been concluded and we don't plan to stay in the border region."

However, at the daily White House briefing, President Reagan's chief spokesman Mr Marlin Fitzwater said there was no evidence that the Sandinistas had withdrawn their forces. He said some 1,500-2,000 Sandinistas inside Honduras were threatening the main Contra supply base.

Noriega puts services under military control, Page 6; Editorial comment, Page 24

A US air battalion prepares to leave for Honduras

US Government steps in to rescue stricken Texas banking group

BY JAMES BUCHAN IN NEW YORK

THE US Government yesterday poured $1bn into First RepublicBank of Dallas and guaranteed all its depositors against loss.

The move is a bid to steady confidence in the deeply troubled Texas banking group, which was reported still to be losing deposits yesterday, and buy time for a fully fledged rescue operation.

The Federal Deposit Insurance Corporation announced yesterday that it would lend the 73 subsidiary banks the money over the next six months.

The cash injection to the state's largest banking group is part of a package of government measures to staunch the deposit outflow while the FDIC works out a rescue for First RepublicBank and another badly troubled Texas bank group, First City Bancorporation of Houston.

Mr Gerald Fronterhouse, chairman of First RepublicBank, said: "This effective action by the FDIC will provide a stable environment for our customers."

The FDIC yesterday gave a blanket guarantee to depositors and creditors at all First RepublicBank's subsidiaries.

Its statement "assures that all depositors and other general creditors of First Republic's banks will be fully protected and service to the bank's customers will not be interrupted."

The Federal Reserve system, the US central bank, said it was standing by with liquidity.

The group's banks have been borrowing heavily from the Federal Reserve Bank in Dallas since last Tuesday, when First RepublicBank's directors resolved to seek help from the FDIC.

Mr William Seidman, chairman of the corporation, said yesterday that he was seeking private-sector capital to help rescue First RepublicBank, which had $32.9bn in gross assets last year but faces catastrophic losses of $4bn or more on bad real estate loans.

However, there is deep scepticism in the industry that any outside capital can be found, and Washington may be forced to shoulder the whole burden as it did in its $4.5bn takeover of Continental Illinois in 1984.

The FDIC, founded in the Depression to protect small investors, usually insures deposits only up to $100,000. Mr Seidman said there were no plans to change management at First RepublicBank.

The FDIC chairman, who cancelled a trip to a bankers' conference in Hawaii on Tuesday night, needs time to repair a $1.5bn bail-out of First City of Houston, which appeared to be unravelling this week because of resistance from creditors.

The plan involves some $500m in private capital and is seen as a key test of the industry's readiness to help First RepublicBank.

Ford drops plan for £40m Scottish electronics plant

BY CHARLES LEADBEATER, PHILIP BASSETT AND JAMES BUXTON IN LONDON

FORD OF AMERICA has decided to cancel plans to build a £40m (\$73m) electronic components plant in Dundee, Scotland, as a result of the failure of car industry trade unions to settle an internal dispute over union recognition at the plant.

The company's decision to scrap its plan for the plant, which would have created about 1,000 jobs in the Dundee area, was greeted with dismay by trade union leaders, Scottish politicians, officials of the Scottish Development Agency (SDA), and local councils.

The company is expected to relocate the plant on the continent, in either Austria, Spain or Portugal.

Ford's about-turn, which was widely described as a disaster for the Dundee economy, could be a serious setback for the SDA's efforts to attract foreign companies to Scotland, on the basis of the region's industrial relations record.

The decision will be seen as a debacle for the union movement.

Ford decided to build the plant at Dundee after two years of negotiations with the SDA. In October is signed a single union deal for the site with the AEU, engineering trade union. The agreement, which the company said was a vital part of its plan, was immediately challenged by several other car industry unions which would have been excluded from collective bargaining at Dundee.

The dispute was due to be processed through the TUC's official procedures, after a meeting between Mr Norman Willis the TUC's general secretary and Ford's senior managers in Detroit last week.

But in a letter to the SDA yesterday the company made it clear it was the unions' inability to resolve the five month long dispute over recognition rights that led it to pull out.

It said: "We did not expect when we signed a single union deal that it would be so difficult to achieve.

Following discussions with Mr Willis we decided there was no prospect of reaching agreement, and any compromise would create more problems."

Last night Mr Malcolm Rifkind, the Scottish Secretary, held out the possibility that the deal might still be saved if the trade union movement agreed to a single union agreement for the plant.

Mr Iain Robertson, the SDA's

Continued on Page 26

Pru-Bache chairman resigns

BY CLAY HARRIS IN LONDON

MR JOHN MACARTHUR, chairman of Prudential Bache Securities' UK merchant banking operation, resigned yesterday after a clash over management strategy with the US investment group's head office.

Mr Tim Holland-Bosworth, head of UK corporate finance under Mr MacArthur, also quit. Both men joined in 1986 from Kleinwort Benson, the UK merchant bank at which Mr MacArthur was formerly head of corporate finance and where he had played a key role in several bitterly contested takeover battles.

Their departure, the latest of several from the senior levels of US financial groups' London operations, is a blow to Pru-Bache's stated ambition to compete head-on in corporate finance with established UK merchant banks.

It will also raise questions about the ability of foreign, particularly US-based, financial companies to bridge the gap between their corporate culture and that of key personnel in British subsidiaries.

Mr Theodore Fowler, international president of Prudential-Bache Capital Funding, yesterday described the departures as amicable and said: "John and Tim deserve a lot of credit for the firm's progress in the UK. Nonetheless, we differed on the direction and expansion of our UK presence."

Pru-Bache denied that the two men's departure signalled any retrenchment in its UK ambitions. It pulled out of UK gilts trading last month and has also slimmed its Eurobond trading operation, closing the floating rate note desk altogether.

Mr MacArthur was not available for comment yesterday.

However, the disagreements which led to his decision to resign are believed to have centred on the US parent's emphasis

Continued on Page 26

US trade deficit rises to $12.4bn in January

By Anthony Harris in Washington and Janet Bush in New York

THE US trade deficit widened slightly in January to $12.437bn from $12.202bn in December, with falls in both imports and exports, the Department of Commerce said yesterday.

Both the dollar and equities responded positively to the figures, with Wall Street closing yesterday at a post-crash high.

The main influence on the trade figures was seasonal. Mr William Verity, the Commerce Secretary, pointed out that exports had fallen in every January this decade.

The official figures are at present published on an unadjusted basis, following a change in compilation methods, but seasonal adjustment will be resumed from April onwards.

If anything, the $12.4bn shortfall was slightly lower than many forecasters had expected, and markets took some encouragement from the fall in imports in January.

On the foreign exchange markets, the dollar moved higher against most major currencies, closing in New York at Y128.70 compared with an earlier low of Y127.35, and at DM1.6915 compared with the session's low of DM1.6688.

On Wall Street, the Dow Jones industrial average closed up 21.72 at 2086.04, compared with a previous post-crash high 2081.08 reached on March 8.

On the bond market, prices recovered by a full point from early lows, and near the close, the US Treasury's benchmark 30-year bond issue was quoted ¾ point up to yield 8.54 per cent.

While exports fell in nearly all categories, and by more than 8 per cent in total dollar value, there was a particularly sharp

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'Sharpeville Six' win four-week stay of execution

BY JIM JONES IN JOHANNESBURG AND MICHAEL HOLMAN IN LONDON

SIX BLACK South Africans due to be executed at dawn today for complicity in the murder of a black township official have won a four-week stay of execution.

Lawyers for the 'Sharpeville Six', whose case has provoked an unprecented international campaign for clemency, won a temporary reprieve after a Pretoria supreme court judge heard evidence that a witness at the trial lied.

Hours earlier a car bomb in Krugersdorp, 20 miles west of Joahnnesburg, killed three people and injured 16.

The Sharpeville group – five men and a woman – were sentenced to death for complicity in the mob killing in 1984 of a black councillor for Sharpeville township, although there was no evidence that they were directly involved.

Among the world leaders who appealed directly or indirectly to President P.W. Botha to commute the sentence were President Ronald Reagan, Mrs Margaret Thatcher, UK Prime Minister, and Chancellor Helmut Kohl of West Germany. Although the South African Government said it could not interfere with the courts, yesterday's decision provides a breathing space for Pretoria.

A dilemma for Mr Botha would be resolved should the issues raised by the defence lawyers lead to the reopening of the trial and a different verdict.

On one hand government clemency would have provided political capital for the increasingly powerful extreme right Conservative Party, which is contesting a parliamentary by-election next month. Mr Botha also has to protect black township councillors, who have frequently been targets of mob attacks.

At the same time he may be reluctant to appear indifferent to appeals from the leaders of Western governments who have resisted pressures at the UN and elsewhere to impose tougher economic sanctions against Pretoria.

The court was told that Mr Joseph Monete, a state witness, may have given false evidence after being assaulted by the police. Defence counsel was not allowed to cross-examine Mr Monete during the three-month murder trial in 1985.

In Pretoria yesterday morning, before the court's finding was known, Mr David Steward, a government spokesman, said the Government was aware of the bitterness and controversy surrounding the proposed hangings. It was tempted to intervene on humanitarian grounds, he said, but added that the Government believed that its responsibility to protect South African citizens transcended these considerations.

Before the respite came news of the Krugersdorp car bomb. Up to 60km of explosive was detonated outside the town's magistrates' court.

Yesterday afternoon Mr Adriaan Vlok, the Minister of Law and Order, named Mr Heinrich Grosskopf as a suspect in the blast. Mr Grosskopf, a white South African alleged to be a member of the ANC and is suspected by police of involvement in last July's car bomb explosion outside military headquartersin Pretoria.

Botha wins respite, Page 4

CONTENTS

INTERNAL MARKET PROPOSALS GATHER DUST IN BRUSSELS

Lord Cockfield, UK Commissioner, calls for backlog to be cleared, Page 3; Plan to put efforts back on schedule, Page 26

Sharp exchange of fire as US-Soviet defence talks end

BY WILLIAM DULLFORCE IN BERNE

MR FRANK CARLUCCI, the US Defence Secretary, said yesterday he had perceived no visible signs of change in Soviet military doctrine during two days of intensive talks with General Dimitri Yazov, his Soviet opposite number. He had seen nothing to suggest that Nato should change "in the slightest" any of its existing programmes.

Gen Yazov, at a separate news conference, warned that Nato plans for modernising its tactical nnclear weapons would "seriously worsen" prospects of lowering military confrontation in Europe.

Moscow could not "allow to go unnoticed" discussion in Nato countries on "compensation" for the elimination of US intermediate-range nuclear forces under the INF treaty signed by President Ronald Reagan and Mr Mikhail Gorbachev in December, be Yazov said.

Despite this public display of continuing sharp differences, both sides reported favourably on the whole about the first eyeball-to-eyeball exchange between US and Soviet defence chiefs since the Second World War.

The Soviet minister said he was leaving the Swiss federal capital "in a good mood" and wanted to continue the dialogue. Mr Carlucci, concurring in further meetings, described the talks as "good, not sensational". Gen Yazov invited the US Defence Secretary to visit Moscow, but no date was set.

In practical results, the two agreed to work out principles and to set up a forum for avoiding dangerous Incidents bstween their armed forces. This was a key US objective. They agreed, in Mr Carlucci's words, to "look at worldwide force levels" as a basis for more concerted discussion of the disputed imbalances in military strength.

Gen Yazov said Moscow would be ready, after consulting its allies, to make public data on its armed forces. He added jokingly that an exchange of data would probably show it was necessary "to cut our ground forces by half and the US Navy by two-thirds".

Implementation of these decisions is to be entrusted to Admiral William Cooke, chairman of the US joint chiefs of staff, and Marshal Sergei Akhromeyev, the Soviet chief of staff, who will meet in Washington shortly.

They will also arrange more frequent exchanges between US and Soviet military officers. Mr Carlncci suggested they could start by intensifying contacts between military attaches and exchanging visits between war colleges.

General Yazov (left) and Mr Carlucci met eyeball-to-eyeball but failed to see eye-to-eye

The US tried to explore statements in Moscow that Soviet military doctrine had switched from an offensive to a defensive posture but, Mr Carlucci said, he had not come away with a clear view. It was important for the US and its allies to recognise that there had been no change in the Soviet programme to modernise its forces structure, he said. The Soviet Union had linked questions on military doctrine with arms control issues.

Military doctrines could not be changed unilaterally without reference to the opposing side's strength, Gen Yazov said. The Soviet Union did not deny it possessed more tanks but Nato had more combat aircraft, helicopters and anti-tank weapons. However, the Soviet Union was prepared to "lay all the data on the table", so that the correlation of forces could be determined.

He linked Moscow's new concept of "sufficieny" in defence with the decision of the Soviet Communist Party at its 27th Congress to build out the country's economic potential. The aim was to achieve within 15 years an economic advance equivalent to that already reached in the 70 years of Soviet power.

Defence sufficiency in Soviet perception meant parity and equal security, the general said. It could mean mandatory cuts in armed forces and armaments, and changes in the pattern, structure and deployment of forces. But these were complex issues which had to be resolved at the negotiating table.

According to Gen Yazov, the ministers had spent two hours discussing sea-launched cruise missiles. The Soviet Union sees the controversy in US-Soviet talks in Geneva over verifying how nuclear-tipped missiles are to be distinguished from conventionally armed missiles as a serious obstacle to a having treaty halving US-Soviet strategic nuclear weapons ready for signing when President Reagan visits Moscow in late May or early June.

Naval forces should now become a subject for negotiation, Gen Yazov proposed to Mr Carlucci, echoing Mr Gorbachev's suggestion in Belgrade on Wednesday that force levels be frozen in the Mediterranean.

Moscow points the finger at Britain over its Armenian troubles

BY LESLIE COLITT IN MOSCOW

BRITISH intelligence officials and the "divisive activities" of Her Majesty's Government in trans-Caucasia were blamed at a Moscow news conference yesterday for last month's bloody ethnic clashes between Armenians and Azerbaijanis.

Soviet participants in Moscow's first background "briefing" on the clashes were barking back to the year 1919 when British troops occupied trans-Caucasia after the surrender of Turkey.

The news conference on "The blank points of history: Hard years of the Caucasus, new materials" was held by the Novosti Press Agency. Four eminent Soviet historians presented evidence of the "imperialist" background to the recent clashes, which followed Armenian demands for the return to their republic of Nagorno-Karabakh, an area of Azerbaijan populated mainly by ethnic Armenians.

Mr Yuri Poliakov asserted that Britisb (and American) "invaders" in 1919 used the nationalist strifa between Armanians and Azerbijanis over Nagorno-Karabakh for their own sinister ends. "Historians are working on what the British Intelligence service did in Central Asia and the Caucasus," Mr Poliakov said.

COMMUNIST officials in Sumgait, the Soviet Azerbaijan city where at least 32 Armenians were killed last month, said the party leader and the mayor of the city had been removed, writes Leslie Colitt.

The party chief, Mr D. M. Muslimzade was said by Azerbaijan Radio to have made mistakes which had "tragic consequences."

He was replaced by Mr Saleh Gadzhiyev who was previously Prime Minister of an Azerbaijani enclave inside Armenia.

Moscow belatedly reported that 32 people were killed in Azerbaijan last month, while Armenian sources alleged that hundreds of their countrymen had been murdered by gangs of Azerbijanis.

Another historian, Mr Yuri Mukhachev, said that Britain and the US equipped the 40,000-man Armenian army after the First World War, with Washington offering $28m in loans. A Colonel Baskins of the US Army, he said, had assured the Armenians that they had a right to Nagorno-Karabakh. A week later, in a classic ploy, the colonel had told the Azerbijanis the US would back their claim to the region.

Mr E. Rozental, the Soviet historian who chaired the briefing, said a British agent called Colonel Pike, who had apparently specialized in disinformation, told London that the policy of the Bolsheviks under Lenin was being directed by a "German count" in the area.

Why, the question arose, did the young Soviet Government give Nagorno-Karabakh to Azerbijain in 1923? It was a "compromise", Mr Poliakov replied.

What of the present tensions more than two generations later between the two ethnic groups? Mr Rozental said the reasons were mainly economic as the social and economic "sphere" had been neglected. But "bureaucratic mistakes" were also made, Mr Poliakov remarked, giving the example of a ban on Armenian language books entering Nagorno-Karabakh.

Stoltenberg calls for EC to end all capital controls

BY DAVID MARSH IN BONN

MR GERHARD STOLTENBERG, the West German Finance Minister, yesterday called for "irrevocable" lifting of capital controls throughout the European Community as a precondition for moves towards the long-term goal of European monetary union.

In a memorandum circulated in Bonn, Mr Stoltenberg said the goal of setting up a common European currency and a joint central bank could only be reached after completing the planned full internal market in goods and services in 1992.

In a clear effort to regain a grip on the Government's formulation of policies on European monetary co-operation, Mr Stoltenberg, sets down his views partly in response to ideas on a European central bank put forward by the French Government. He is due to meet his French counterpart, Mr Edouard Balladur, as well as the governors of the French and West German central banks, in the first full meeting of the new Franco-German economic council in Bonn on Monday.

Mr Stoltenberg said that changes in the intervention mechanism of the European Monetary System agreed last autumn widened the scope for monetary co-operation.

However, the most immediate task during the current West German presidency of the EC was to bring about "a fundamental decision" on liberalising capital movements throughout the Community.

Lifting of capital controls was "of crucial significance for the continuing integration of European economies and for enhancing their growth potential," Mr Stoltenberg said.

This appeared a shot across the bows of Mr Hans-Dietrich Genscher, the West German Foreign Minister. Mr Stoltenberg has attracted some domestic criticism lately for allowing the running on Bonn's formulation of European monetary policy ideas to be made by Mr Genscher.

The minister's enthusiasm for European monetary union appears to go somewhat beyond that of Mr Balladur, and certainly surpasses notions held either by Mr Stoltenberg or by Chancellor Helmut Kohl.

In the memorandum, Mr Stoltenberg came out strongly in favour of the cautious line of the Bundesbank about further development of the EMS. EC states would have to achieve further economic convergence in the areas of budget deficits, current account balances and inflation.

He voiced strong misgivings about proposals broached by France and other countries for further changes in the exchange rate system, which would increase the obligation of West Germany to come to the assistance of weaker currency countries.

Mr Stoltenberg also criticised indirectly Britain's non-participation in the exchange rate mechanism of the EMS, as well as the softer exchange rate regime enjoyed by Italy.

The EMS would only become fully effective "if all member states with the economic and monetary qualifications join the system and abide by the same rules," he said. Any prospective European central bank must be committed to price stability and enjoy independence from governments or community bodies. As a transition to setting up a common central bank, the individual central banks of member states should follow these same criteria, he said.

Car sales surge in February

By Kevin Done, Motor Industry Correspondent

SALES OF new cars in West Europe surged in February, according to industry estimates, and there is no sign of demand weakening from last year's record level.

They rose by an estimated 11.5 per cent in the first two months to around 2.06m compared with 1.85m in the corresponding period last year. Sales in February rose by some 9.5 per cent to around 1.02m.

Fiat, the Italian group which includes Lancia and Alfa Romeo, led the league in the first two months with a market share of around 16.3 per cent. It is reckoned to have increased sales volume by around 13.7 per cent to some 337,000 cars.

The surge in car demand in Italy – where Fiat controls around 60 per cent of the market – continues unabated and new cars sales are estimated to have risen by 15.5 per cent in January and February to just over 399,000 units.

West Germany's Volkswagen group, which includes Audi and Seat, and which has sold more cars in West Europe than any other manufacturer in the past three years, trailed Fiat in the first two months with 13.6 per cent of the market.

VW sales have tended to lag behind Fiat in the early part of the year before overtaking it in the second half. But the early gap between the two groups has widened this year, not least because of the slower rate of increase in sales in West Germany, where VW had close to 30 per cent of the market last year.

New car registrations in the Federal Republic are estimated to have grown by 6.3 per cent in the first two months of 1988 to some 356,000, but VW's domestic sales have not kept pace and market share has fallen below 28 per cent.

VW is also coming under pressure from Peugeot/Citroen, the resurgent French company, which enjoyed tha biggest volume gains of any of the big six European volume car-makers – around 19.6 per cent to more than 258,000.

Peugeot increased its market share to 12.5 per cent compared with 11.5 per cent in the first two months of 1987 and about 12.1 per cent for the whole year.

Ford, pushed out of third place last year by Peugeot, had a market share of around 11.7 per cent in the first two months of 1988, virtually unchanged from the corresponding period last year.

Austin Rover, the small UK volume car-producer, saw its share of the European market fall slightly in 3.7 per cent from 4.1 per cent a year earlier, and sales volumes increased by only a meagre 0.8 per cent to 76,000.

New car sales in France rose by some 10 per cent, in the UK by 10 per cent and in Spain by 28.7 per cent.

Prospect of merger on French right

BY IAN DAVIDSON IN PARIS

ON TOP of the many takeover battles currently dominating the news from the Paris stock exchange, a new merger bid is starting to edge on to the front pages of the French newspapers: manoeuvres by the neo-Gaullist RPR party to gain control of its centre-right allies, in order to form one large right-wing grouping after the forthcoming presidential elections.

The idea of closer links between the parties in the governing coalition has been advocated in the past by Mr Francois Leotard, leader of the Republican Party and Minister of Culture.

Early this week, Le Monde asserted that negotiations on the creation of an enlarged right-wing party after the elections had already started between Mr Leotard and Mr Edouard Balladur, Minister of Finance and one of the closest associates of Mr Jacques Chirac, the Prime Minister.

Mr Chirac, Mr Balladur and Mr Leotard hava all denied that negotiations are in progress, and the Gaullists have denied there is any intention of seeking a rapprochement restricted to the Republicans.

But Mr Balladur yesterday came ont into the open in a front-page feature article in Le Monde, calling for a broad confederation between the RPR and all the other members of the governing coalition (including tha Republicans) which are grouped together under the umbrella organisation UDF.

Between the lines, Mr Balladur virtually concedes that President Francois Mitterrand, the Socialist incumbent, is likely to be re-elected. This, he implies, is what will require the formation of a right-wing federation, so as to force new general elections and to fight them more effectively.

If Mr Chirac expected to win, he would no doubt attempt to taka over the centrist parties after his victory, but he would see no benefit in talking about it now.

Mr Balladur claims that the division of the centre-right intoa number of distinct parties cannot be explained by policy differences, which are minimal. Moreover, these differences weakened the centre-right in its competition against the left-wing parties.

The most immediate effect of the eruption of this debate five weeks before the first round of the presidential elections has been to spread dismay among the component parties in the UDF, which in principle support Mr Raymond Barre, the formar Prime Minister, in the elections rather than Mr Chirac.

Divisions between these parties, long a feature of the UDF, broke out spectacularly at a recent cantonal by-election in Lille, when a local Centrist (CDS) candidate opposed and defeated the official Republican candidate adopted by the UDF in Paris.

A leading member of the Gaullist party yesterday described the report of an RPR-Republican Party negotiation as a case of trouble-making by the Republicans in order to embarrass the Gaullists. It seems more plausibly a bid by the Gaullists to strengthen the hand of Mr Chirac, in an attempt to outflank Mr Barre, his centre-right rival in the presidential campaign.

For public consumption, it is tactful of Mr Balladur to urge the rapprochement of all the components of the governing coalition. But the underlying logic is that any federation of this kind must weaken Mr Barre, since he is a leader whose whole strategy has been to represent himself as a candidate independent of party politics, and that it must strengthen the Gaullists, since they outnumber all the UDF parties put together, and are more disciplined.

The immediate effect is to highlight the differences between those Centrists who are whole-hearted supporters of Mr Barre and those Republicans like Mr Leotard whose support is guided more by an eye to the main chance.

For the centrist parties, a left-wing victory is likely to mean a serious setback, and may consign Mr Barre to political oblivion. It is not so clear that a take-over bid by the Gaullists, to recover the dominant right-wing position they enjoyed in the 1960s, will also succeed in eroding the 10 per cent voter-support currently enjoyed by Mr Jean-Marie Le Pen and his extreme right-wing National Front.

Sinowatz quits party leadership

MR FRED SINOWATZ, who resigned as Austrian Chancellor after Mr Kurt Waldheim was elected President, said yesterday he would step down as Socialist Party leader in May, Reuter reports from Vienna.

Mr Sinowatz, 59, has been under heavy pressure to resign since October, when a judge found he had lied in his slander case against a journalist.

He proposed that Mr Franz Vranitzky, who succeeded him as Chancellor in June 1986, should become party chairman.

FINANCIAL TIMES

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Bank warns on Danish debt interest burden

By Hilary Barnes in Copenhagen

THE BURDEN of interest on Denmark's foreign debt has developed at a rate which "is clearly unsustainable," the central bank warned in its annual report yesterday.

Over the past 10 years interest payments have increased by the equivalent of 1 per cent of export income and are now equal to 13 per cent of export income, an unusually high level for an industrial country, said the bank.

The current balance of payments deficit was reduced from DKr34.8bn(£2.95bn) in 1986 to DKr20.1bn last year. "It is necessary to ensure a further reduction so that the rise in the interest burden can be halted," said the report.

Mr Knud Enggaard, the Economy Minister, concurred. "Last year's reduction was essential, but we can't let it go at that. It has to come down further," he said in an interview.

"We have taken powerful initiatives over the past two years through tax reforms which will increase household savings. It is now that consumers are becoming aware of the impact of these measures, which will make an important contribution to improving the current account."

The bank also expressed concern at rising wage costs. The rate of hourly wage increases doubled from 5 to 10 per cent on an annual basis last year.

"If costs are not held in check, and there is a resurgence in inflation, the whole basis of economic policy will crumble and exchange rate policy will be in danger," it said. The Government aims to hold the value of the krone unchanged against the average of the European monetary system currencies.

The net foreign debt increased from DKr262bn to DKr272bn last year, the central bank estimates. This is about 40 per cent of the gross domestic product and 125 per cent of export earnings.

Oslo urged to tighten grip

By Karen Fossli in Oslo

NORWAY'S central bank yesterday urged the Government to back up its wage restraint policies with a tight fiscal stance.

Acknowledging that the Government had taken the right steps towards rectifying the economy, it said only modest improvement would be experienced this year and a tight fiscal regime would be needed in the years ahead.

Norway's minority Labour Government recently implemented a wage restraint package which has been described as the country's toughest anti-inflation plan for 10 years.

The central bank said private households, companies and municipalities continued to spend far more than they earned. It urged the Government to change the tax structure to limit credit demand.

William Dawkins on the Commission's slightly less gloomy annual progress report on the drive to 1992

Cockfield urges EC to tackle internal market backlog

THE EUROPEAN Community's ambitious plan for a free internal market by 1992 could well elude its grasp unless member states make a big effort to tackle the backlog of European Commission proposals awaiting their agreement.

That is the main message of yesterday's annual progress report on the internal market from Lord Cockfield, the UK Commissioner responsible for the 1992 campaign. It is a familiar theme from a Commission fond of berating the Council of Ministers, member states' decision making forum, for failing to adopt its proposals at top speed.

But if anything, yesterday's report is slightly less gloomy than its two predecessors. "The date, 1992, and the programme of 300 legislative initiatives aimed at the complete abolition of existing barriers to free circulation of goods, services, people and capital within the Community, are already becoming an established part of the expectations of individuals, enterprises and the Governments of the member states," it says - a claim which only two years ago would have been very optimistic.

Yet, it is less easy for government Ministers to see eye to eye on the hard and sometimes nationally sensitive detail of the individual proposals in the programme. The report warns that the Brussels authorities will pile on the pressure this year, when it plans to get 90 per cent of the internal market plan onto the Council's table.

More than 50 market opening plans are scheduled to come out of the Commission between now and December. They will include - among others - common rules for banks' solvency ratios and for the conduct of takeovers, EC-wide copyright protection for computer software, patents for biotechnology inventions, and liberalisation of life and motor insurances. Coping with the load "will be the real test of member states' political commitment to the 1992 deadline," says the report.

The most controversial of the market opening measures now blocked in Council is Lord Cockfield's proposal for bringing VAT rates into line. Other measures gathering dust on the Council table include common health and marketing rules for food and drink, the easing of customs controls for individuals, the introduction of a general right of residence across the EC, mutual recognition of higher education diplomas and the liberalisation of road transport and broadcasting.

The Commission exonerates itself from most of the blame for the backlog, though it does admit to being late in proposing the 84 internal market measures scheduled on plant and animal health because of "lack of administrative resources." But in general, Lord Cockfield reckons to be well on target, having presented 206 out of the 300 proposals in the original internal market white paper.

Since being launched just under three years ago, the plan has been slimmed down to 286 proposals because some have become outdated or overtaken by new strategies. By the end of the year, the Commission plans to have 90 per cent of the programme on the table.

So far, the Council has adopted 69 of the Commission's market opening ideas and is in the process of agreeing six more. That leaves 126 on which member states have yet to reach a consensus, plus another five which have been scrapped or outmoded. Another reason for the backlog is the six month delay in the adoption of the Single European Act, which brought into force last summer a much wider use of majority voting in the Council. This is only just starting to speed up the pace of adoption of internal market proposals.

More seriously, Lord Cockfield points to member states' reluctance to delegate more implementing powers to the Commission, which "has prevented the adoption of a number of proposals which were otherwise ready." These schemes are being held up by arguments over just how much influence the Brussels authorities should have in refining the technical details after proposals have been adopted by member states.

Lord Cockfield uses the report to put in an impassioned plea for acceptance of his controversial proposals to narrow the differences in indirect tax rates across the EC. The VAT approximation package, now being studied by national tax experts, is limited in scope to what is "absolutely necessary to ensure the establishment and functioning of the internal market in this field." It would limit VAT to two bands, 14 to 20 per cent for most items, or four to nine per cent for necessities like food, heat or public transport.

Lord Cockfield says member states must decide in principle on the package this year if they are to have time to adjust their tax systems by the 1992 deadline. He argues: "It is all the more important that urgent progress should now be made with the new fiscal package at Council level."

Dutch back British in road haulage dispute

THE NETHERLANDS, a staunch supporter of European market liberalisation and a frequent ally of British efforts to remove trade barriers, says it remains committed to ending the quota system in international road haulage, writes Laura Raun in The Hague.

Mrs Neelie Smit-Kroes, the Dutch Transport Minister, denied British suggestions that the Netherlands was abandoning the battle to abolish lorry transport quotas by the 1992 deadline for completing a single European Community market.

Following a deadlocked meeting of EC transport ministers on Monday, Britain claimed it had been isolated by the other 11 members.

"The agreement we made in June 1986 under the Dutch chairmanship (to scrap lorry quotas by January 1, 1993) remains our target," Mrs Smit-Kroes insisted.

West Germany, current chairman of the EC, has won support for its plan to continue the quota system until at least 1990, with a review thereafter. Britain and the European Commissioner in charge of transport, Mr Stanley Clinton Davis, want a legally binding guarantee now to end the system.

"The British are too rigid on that point," said Mrs Smit-Kroes, who together with Mr Nicholas Ridley, her British counterpart at the time, pioneered an "open skies" policy in air transport in 1984. A bilateral treaty opened airline traffic between the two countries to free competition.

The veteran Dutch Transport Minister missed Monday's meeting because of an emergency cabinet session in The Hague, but a senior civil servant who attended argues that London is simply trying to move too fast. Dutch road hauliers, who control more than a quarter of international lorry freight traffic in Europe, can live with the West German plan because it allows enough expansion in permits to approach free-market conditions, he explained.

Mrs Smit-Kroes hopes a compromise can be reached an at informal gathering of transport ministers at the end of April and affirmed at the EC summit in June.

Portuguese labour law challenged

By Peter Wise in Lisbon

THE PORTUGUESE Government yesterday ordered striking transport workers back to work in an effort to avert road chaos in Lisbon during a 24 hour walk-out by Communist-led bus, metro and ferry workers.

Mr Anibal Cavaco Silva, the Prime Minister, adopted the tough stance as his centre-right government and the unions squared off for a one-day general strike on March 28 over plans to liberalise labour law.

Unions called out workers from Lisbon's state owned public transport companies yesterday as part of a national "day of action." Employees of hundreds of companies stopped work in protest at the government bill.

Yesterday's industrial action appeared to be an effort by the Communist union grouping to win back the initiative from its Socialist-led rival labour federation, which took the lead in calling the March 28 general strike.

Mr Cavaco Silva says workers will remain more protected than most of their European counterparts under the new labour legislation. Unions say they will accept modern European-style labour laws when Portuguese unemployment pay, social security benefits and working hours reach West European standards.

Quick deals in Finnish pay round

By Olli Virtanen in Helsinki

FINLAND'S INFLATION level will jump from 3.5 per cent to around 5 per cent later this year as a result of the wage settlements made yesterday, the Finance Ministry predicts.

The annual wage round was opened by local government employees who signed a two-year settlement which raises income levels by about 3 per cent this year. They were soon followed by other civil servants, as well as unions representing paper, forestry and chemical industry employees all with wage increases of around 3 per cent for this year.

The agreements made yesterday cover 700,000 employees. With carry-over from settlements in previous years, the real wages of some unions may rise by as much as 7 per cent. According to most analysts, the settlements were achieved surprisingly quickly and with relative ease.

Just days before, several unions had threatened to begin a strike, but with the first settlements now signed most unions are expected to follow suit soon. Although the general level is far below the 8-10 per cent demanded by some employees' organisations, the Finance Ministry regards the settlements as inflationary.

According to Mr Pertti Sorsa, the ministry's chief economist, the current level is far too high to keep the consumer price index from rising.

OVERSEAS NEWS

The government must still face black anger and right-wing opposition, says **Jim Jones**

Botha wins brief respite on Sharpeville Six

THE STAY OF execution granted to the Sharpeville Six in Pretoria yesterday provides a breathing space for a government which, over the past few days, has been under sustained international pressure. But the fundamental issues facing President P W Botha have not been resolved.

The court decision has neither quelled black anger at the death sentences, nor has it yet provided a convenient escape for Mr Botha. He remains caught between unprecedented foreign calls for clemency, and domestic political exigencies which include the increasingly powerful extreme right Conservative Party. There is also the need to protect councillors prepared to take part in black local government elections, and to consider the impact the executions would have on the country's townships.

At the same time he must take account of the unease felt by many white South Africans about a decision which condemned the six to death, despite the fact that they were not shown to be directly responsible for the killing in 1984 of a black township councillor.

The depth of black anger is apparent from the closure yesterday of Sharpeville, 40 miles west of Johannesburg, to outsiders by a ring of police and army units.

Monday is Sharpeville Day, the 28th anniversary of the shooting of 69 people by police in the township. In recent years the anniversaries of the 1960 killings have generally been marked quietly, but this year the threatened executions have fuelled black anger, threatening to spill over into violent confrontation with the security forces.

People living in Sharpeville say the streets are filled with groups of angry people watched by armed security patrols ready to clamp down quickly and heavily on visible protests. On Tuesday a brief school boycott ended abruptly when the security forces obliged pupils to return to their classes.

Notwithstanding these tensions, the government says it will not interfere with the law and commute the death sentences. Yet under South African legislation that clemency is the sole prerogative of President Botha and his cabinet. South Africa's judges are obliged to deliver death sentences for murder when extenuating circumstances cannot be found, and they are not empowered to recommend mercy.

The ball thus seems to be in President Botha's court, but his advisers fear clemency could lead to further loss of white electoral support to hard-line, ultra-right parties.

Two by-elections last month underscored rural Afrikanerdom's continuing swing to the right. The National Party does not want it repeated in next month's by-election, where an urban constituency is under pressure from the far-right. Should the government commute the death sentences, the extremists would not lose the opportunity to remind the voters of the recent challenge to world opinion. Earlier this month, Pretoria's UN ambassador challenged the body to "do your damndest" - Conservative critics would immediately suggest that the Government lost its nerve over the Sharpeville Six.

The government is deeply aggrieved that while there have been calls from abroad for clemency for the Sharpeville Six, there were no international outrage over the spectacle of mobs "necklacing" (setting alight petrol soaked tires hung around the necks of victims) alleged collaborators.

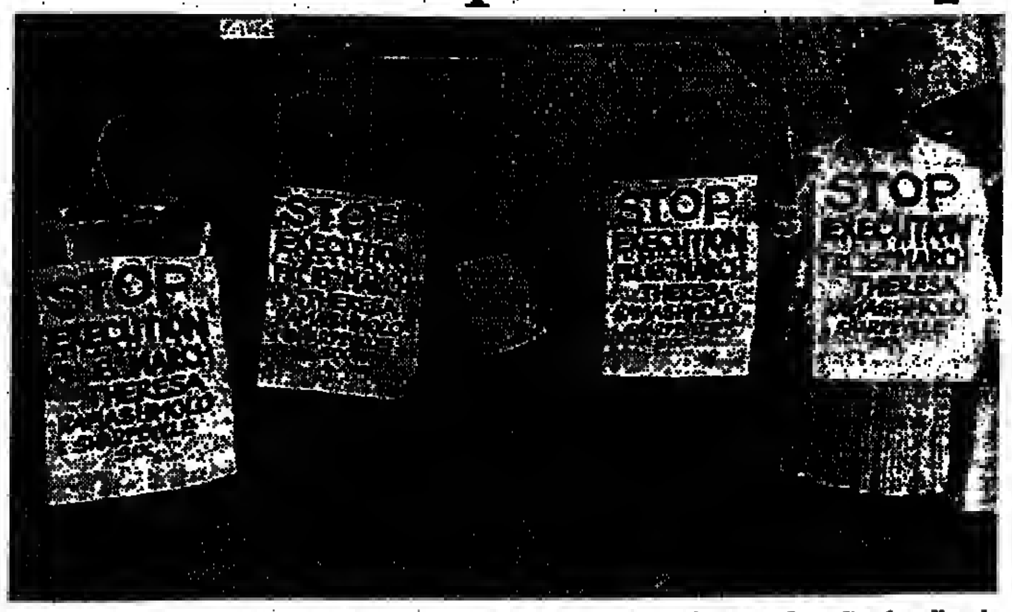
These considerations apart, a crucial area of government policy might be adversely affected by clemency. Participation by blacks in forthcoming township elections is needed if the strategy of devolved local power to black communities is to appear credible. The president and his advisers believe a tough line is necessary if blacks are to be persuaded that they will be safe if they stand for public office.

President Botha has still to persuade black voters to participate in municipal elections in October, let alone persuade individuals to stand for election.

The black insurrection which began in 1984 has claimed the lives of 706 black people, burned to death by township mobs. The killings, and the government's apparent inability to provide protection, are etched in the minds of frightened black officials who quit their jobs to protect their lives.

It is a legacy the government will find difficult to overcome. Nor is the government likely to find it easy to establish alternative outlets for black political aspirations. When it restricted 17 anti-apartheid and community groups last month, the government cut the ground from under its own feet. Several opposition groups which had previously boycotted previous local elections were considering participating in October. That now seems highly unlikely.

What is certain is that the Sharpeville Six issue has further polarised South African society. Blacks who reject the government's administration of the townships, see the Six as martyrs. Conservative Afrikaners, on the other hand, agree with the government that the law should take its course.



A women's group protests outside the British embassy in Pretoria yesterday after handing in a letter asking the UK to put more pressure on South Africa to reprieve the Sharpeville Six

Afghan withdrawal talks close to collapse

BY ROBIN PAULEY, ASIA EDITOR, IN GENEVA

THE Geneva talks on Soviet withdrawal from Afghanistan were close to collapse last night over a major new obstacle introduced by Afghanistan without the backing of the Soviet Union.

At the same time the Soviet Union announced that if there is no agreement in Geneva it will withdraw its 115,000 troops from Afghanistan anyway in its own way and in its own time. This may be a warning to Kabul that Soviet support is not guaranteed if it treads its own path in Geneva.

The Afghan negotiating team has forced a long-simmering dispute over the Durand line, the boundary drawn in 1893 between Afghanistan and the former British territories now comprising Pakistan, into the Geneva talks to the fury of the Pakistani negotiators and the dismay of the US and Mr Diego Cordovez, the UN mediator.

The Durand line runs erratically from the Khyber Pass to Quetta. Both sides of the line are inhabited by Pushtun Afghans and the whole Pushtun area is claimed by Afghanistan. Pakistan controls the roads on its side of the line but has never been able to police properly the tribal non-highway areas through which much drug and arms trafficking occurs. Pakistan has long wanted the Durand line officially recognised and now has been forced to restate that position in Geneva.

The Afghan move appears to have been a carefully planned tactic worked out by the Afghan team and the Kabul government without their Soviet backers. The disputed border issue is the one subject likely to unite all Afghans whether Communists or Islamic fundamentalist Mujahideen, and sour relations between Pakistan and the Mujahideen.

The blow to the Geneva talks was compounded by the way it was introduced by Mr Abdul Wakil, the Afghan foreign minister. He raised it first at a press conference on Wednesday before forcing it into yesterday's talks.

Mr Cordovez has to accept the subject as valid rather than rejecting it as new matter, because the withdrawal accords covering the return of refugees and the UN monitoring of the withdrawal refer to "internationally recognised boundaries".

Pakistan, aware of the potential problem, had been avoiding the issue on the grounds that it could be finessed so long as there was no public mention of it, let alone a public row.

"The border is a non-issue," insisted Mr Zain Noorani, Pakistan's deputy foreign minister, as he left the Palais des Nations yesterday. But behind the scenes it was clear that it had been made very much the major issue and no one was clear about how to defuse the potential crisis it poses.

The negotiating teams will continue to meet with Mr Cordovez to avoid giving the public impression of a breakdown. But the level of friction means that no useful progress is now being made.

Tibet riots reaction irks China

CHINA will not tolerate foreign criticism of policies in Tibet, which has been hit by pro-independence protests in recent months, a vice-premier, Yao Yilin, has warned, writes Robert Thomson in Peking.

The issue has become an irritant in Sino-US relations because of criticism in Congress of China's human rights record. Mr Yao told a Norwegian parliamentary delegation that the protests were an internal matter.

Some estimates say up to 20 died in protests in Lhasa, the Tibetan capital on March 5. Reports from foreigners in Lhasa suggest that at least 100 protesters are in custody.

IMF may help Egypt

International Monetary Fund officials left Cairo yesterday after reviewing Egypt's progress towards implementing IMF-sponsored reforms, writes Tony Walker in Cairo.

The IMF will decide next month whether to release a second tranche of a $325m standby credit agreed last year.

S Korean rival quits

South Korean opposition leader Kim Dae-jung resigned as head of his party yesterday saying he wanted to unite the country's fractious opposition before next month's parliamentary polls.

This followed mounting criticism of his rivalry with Kim Young-sam, another opposition leader, who quit last month.

Visa controls eased

Nigeria said yesterday it was easing its tight visa controls in an effort to attract more foreign investment, Reuter reports from Lagos. A Cabinet Office statement said multiple entry visas would be issued to "genuine visitors" provided their countries were ready to give Nigerians a similar privilege.

SA miners reinstated

Anglo American Corporation and South Africa's black National Union of Miners have reached an out-of-court settlement in their dispute over last August's dismissals of 18,000 striking gold miners, writes Jim Jones in Johannesburg.

The men were fired when they refused to return to work at the Vaal Reefs gold mine. Anglo has agreed to reinstate half the dismissed men and pay compensation to the others.

Iran claims it is making missiles

By Richard Johns

SOME of the 35 long-range missiles fired by Iran at Baghdad in the vicious round of exchanges with Iraq which began 17 days ago were domestically manufactured copies of foreign missiles, according to Mr Kamal Kharrazi, of the country's Supreme Defence Council.

In a telephone interview yesterday Mr Kharrazi, who heads Iran's War Information Headquarters, said Iraq had fired nearly 90 of the missiles. He put the number of "martyrs" killed by Iraqi Skud B missiles in the latest round of the "war of the cities" at 720.

Western military experts believe Iran is able to manufacture copies of Soviet Skud B missiles supplied by Syria and Libya.

"There would be nothing wildly difficult about it — it is not a complex engineering job," said Mr Don Kerr of the International Institute of Strategic Studies in London yesterday.

Mr Kharrazi said 50 short-range missiles launched against targets closer to the front had also been made in Iran. He declined to say on what foreign weapon they had been based but there has been speculation that the compact artillery shell with a range of about 40 kms might be of Brazilian origin.

Mr Kharrazi said the object of the latest Iranian campaign in a Kurdish area of north-east Iraq had been achieved with the capture of towns and 102 villages near the border.

Japanese growth hits 7% a year

BY IAN RODGER IN TOKYO

JAPAN'S economy grew at an annual rate of 7 per cent in the fourth quarter of 1987, according to the Government's Economic Planning Agency (EPA).

Seasonally adjusted gross national product was 1.7 per cent higher than in the third quarter. Coming after a 2 per cent GNP rise in the third quarter, the figures confirm the very strong recovery that has been apparent since last spring. The EPA said it was the first time in 10 years that the quarter-to-quarter growth rate had topped 1.5 per cent for two consecutive months.

The figures also show the recovery is based exclusively on domestic demand. Growth here was 2.4 per cent in the fourth quarter, while external demand was down 0.7 per cent. GNP growth for the full year was 4.2 per cent in real terms, with domestic demand growing 5 per cent. GNP for the full year reached Y344,888bn ($2,706bn) in nominal terms and Y311,539.9bn in real terms. Most economists expect the economy to continue to grow strongly this year, with forecasts of around 4 per cent.

● The Japanese earned more last year than anyone else in the world, with income per head up more than 20 per cent to $19,642, government officials said yesterday.

Most of the rise was due to the rapid appreciation of the yen against the dollar.

Suntory chief's outburst scotches whisky sales

BY STEFAN WAGSTYL IN TOKYO

IF THE chairman of a British brewery made rude remarks about the Irish, the Scots or the Welsh, people would probably say he had drunk too much of his own beer.

After a headline in the Sun newspaper and a swift apology it would all be forgotten. So pity Mr Keizo Saji, president of Suntory, Japan's largest drinks company, who is now into his third week of saying sorry for comments he made about Tohoku, the northern part of Japan's main island.

At a conference on the perennial subject of moving Japan's capital out of Tokyo, Mr Saji suggested the last place it should go was Tohoku. He said Tohoku was the place of origin of Kumaso (an ancient non-Japanese tribe) so "the cultural level is low over there".

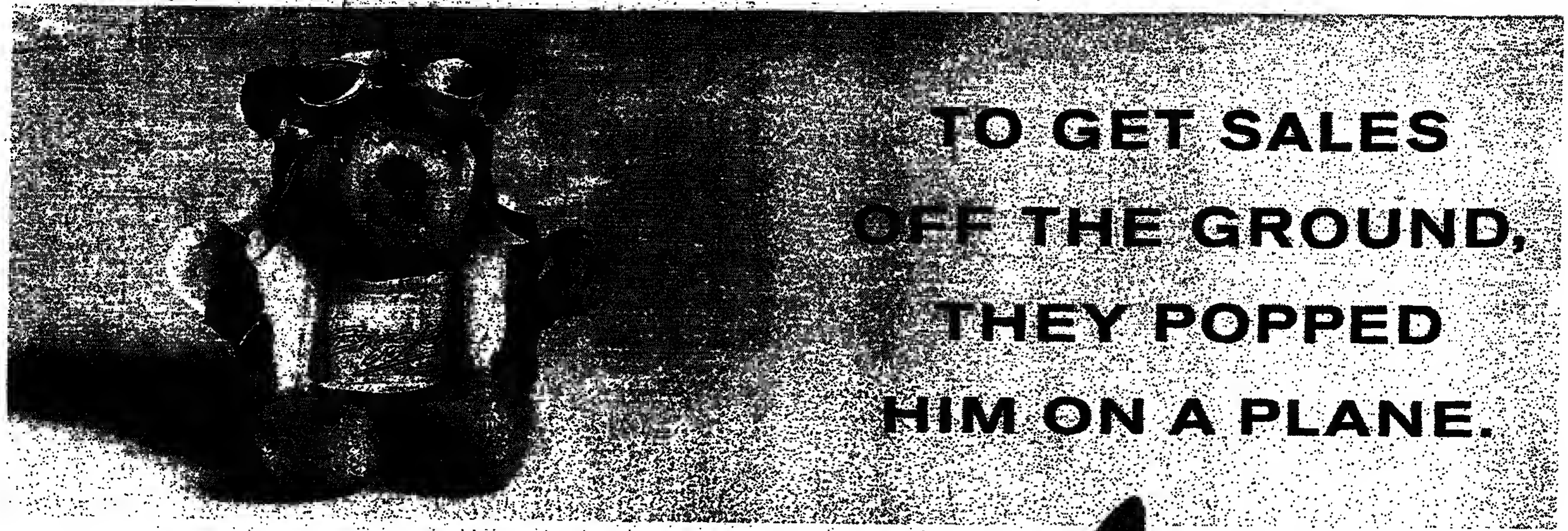
His words prompted an outburst of indignation from the good people of Tohoku. Drinkers in bars, canteens and restaurants have been boycotting Suntory.

Suntory immediately cancelled television advertising in Tohoku. It ran apologies in local newspapers saying the chairman's remarks had been "rude and undignified". Mr Saji told a packed press conference that he deeply regretted "the hurt he had inflicted on the hearts of the Tohoku people".

But this has not been enough for, among others, Mr Kikuji Sasaki, a prefectural governor in Tohoku, who says Suntory must run apologies in television advertisements. Tohoku people writing streams of letters to Suntory have complained that it was particularly insulting that Mr Saji made the remarks because he comes from Osaka, Japan's second city located in Kansai region, the country's historic heart. People from Kansai are widely regarded as snobs.

To make things worse, Mr Saji has a considerable reputation as a man of culture. Suntory regularly sponsors visiting orchestras and theatre groups.

Suntory sales in Tohoku have slumped but the company says its too early to say by how much.



Chellecraft Originals found that breaking into the British toy market was anything but child's play.

The industry is dominated by big firms with high volumes and low selling costs, while Chellecraft is a smaller company producing quality soft toys.

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A programme that provides the services of an independent marketing consultant. The consultant reviewed Chellecraft's products and problems, then prepared a marketing plan.

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Noriega puts all public services under military

BY DAVID GARDNER IN PANAMA CITY

PANAMA paused for breath yesterday as the army staged a show of strength in streets crackling with tension in the aftermath of the failed coup against military strongman General Manuel Antonio Noriega on Wednesday.

The Government put all public utilities – from IRHE, the electricity company, to the casinos and state lottery – under military jurisdiction, but by midday there had been no response from militant public sector workers who have led the riots against the Noriega regime this week.

The Panama Defence Forces (PDF) yesterday took over the streets with combat units armed with M-16 assault rifles rather than anti-riot shotguns. It was a message aimed as much at its own ranks as the opposition.

In Panama City clusters of people gathered at the corners of streets strewn with smouldering riot debris left over from the botched coup which was led by police chief Colonel Leonidas Macias.

Col Macias, a member of the PDF General Staff, has shown that there are cracks in the military monolith. But the fact remains that his attempt to take over PDF Command Headquarters was put down in a matter of hours.

PDF sources say only police units were involved in the shooting on Wednesday. There were no disturbances in any other barracks

"This showed how completely we are behind our commander, who is our backbone," said Captain Francisco Porras, the director of the PDF's military academy and a staunch Noriega loyalist. He further noted that all the plotters had desk jobs rather than field commands.

There are strong indications that the US was aware of the Macias plot and wrongly expected Batallion 2000, one of the PDF's two crack combat units, to back him.

This does not resolve the grave financial, political and social crisis in which Panama is enmeshed, aggravated by the Government's bankruptcy, the freeze on Panamanian assets in the US and the closure of banks two weeks ago.

Indeed nobody outside the PDF and its political ally, the Democratic Revolutionary Party (PRD), foresees a solution without Gen Noriega's departure.

With total cash resources reliably calculated at below $7m, the Government remains unable to pay the public sector workforce, which this week emerged as the spearhead in the swelling but fractured movement to oust Gen Noriega after 20 years of tacit alliance with the regime.

Col Macias was the General Staff officer designated as PDF liaison with the trade unions and perhaps had the liveliest sense of the pace at which support for the regime has been eroding.

Computer 'viruses' spread to marketware

By Louise Kehoe in San Francisco

AN ESCALATION of the problem of "computer viruses" – rogue computer programmes that "infect" any computer they come into contact with – has been reported in the US.

Aldus Corporation, a publisher of personal computer software, has reported that hundreds of copies of one of its programme products may have been tainted.

In what is believed to be the first instance of a computer virus in commercially available software, Aldus has discovered that an independent software developer who worked on a computer drawing programme called "Freehand", recently introduced by the company, inadvertently passed on the virus to Aldus's computers.

Although this virus is relatively benign, other viruses can destroy valuable data files or wipe out years of work stored on disk.

Until now, personal computer users have been assured that they can avoid viruses by using only commercially available software. Previous viruses have been spread by "shareware" programmes freely traded between computer hobbyists via computer network bulletin boards or through homespun programmes.

Computer users and software publishers' fears about the spread of viruses are heightened by the fact that the same developer who worked for Aldus has also been contracted to work for other US software publishers and may have spread the virus to them.

Computer security experts previously warned that computer viruses could be used to "hold hostage" software publishers with the threat of product contamination analogous to the food and medicine contamination scares that have affected several US companies in the past.

The scare is expected to force the software industry to impose stronger security measures and will certainly make software purchasers more wary.

Gremlins bent on mischief, page 36

Unions find the political climate unfavourable, reports David Owen

Canadian labour on the defensive

WITH THE Canadian domestic economy growing at a rapid pace, unemployment edging down and last year's corporate profits up an impressive 30 per cent, Canadian union leaders should be on the offensive.

Canadian workers have, after all, experienced real income losses (after inflation is taken into account) in eight of the last ten years. One might expect wage hikes to be at the top of the agenda in a full 1988 schedule of contract talks. But instead, the prime concerns remain the essentially defensive issues of job protection and pension indexation.

By international standards, the Canadian labour movement certainly looks in remarkably good shape. Union membership (at some 3.8m) continues to inch up – although the number of members as a proportion of the overall non-agricultural workforce has slipped a couple of points from its 40 per cent peak in 1983. The proportion of the country's trade unionists who belong to US, as opposed to Canadian, unions has shrunk to less than 40 per cent from over 70 in 1966.

The movement is also blessed with more than its fair share of charismatic, forward-thinking leaders: Mr Bob White, the trendy but tough president of the Canadian Auto Workers (CAW), and Mr Louis Laberge of the Quebec Federation of Labour to name but two.

But the prevailing economic and political climate is not as favourable to the labour movement's cause as it might at first appear. Moreover, the movement itself is in considerably shakier condition than statistics alone suggest.

The Canadian economy is widely expected to grow more slowly in 1988 and 1989 than it has in recent years, and this may slow job creation. Even if it doesn't, the current unemployment rate of about 8 per cent – though well below 1983 levels – is high enough to act as a considerable deterrent to union militancy. This is even more the case in depressed areas like Newfoundland where close to one in five workers is unemployed.

Already, this has been a factor in improving Canada's once notorious strike record. In 1987, some 2.5m person-days were lost to stoppages – down from 4.1m in 1981. "Strike activity is very highly correlated with levels of unemployment," says Mr Pradeep Kumar, a labour expert at Queens University.

In addition, overcapacity looms in a number of important industries, notably the car sector. The prospect of impending plant closures was fundamental to the CAW's decision to make pension indexation its number one demand in last years talks with the Big Three US-based carmakers. This was in sharp contrast to their peers in the United Auto Workers south of the border.

The union's success in securing a partial indexation deal is widely seen as a landmark agreement, likely to trigger similar demands in contract talks this year. Altogether, about 400 collective agreements covering 1.4m employees are open for renegotiation in 1988.

A string of government policy initiatives is also helping to keep unions firmly on the defensive. These include privatization, the contracting-out of public sector work to private interests and the recently-signed bilateral trade agreement with the US.

The fear of possible privatization was certainly instrumental in encouraging Air Canada groundworkers to hold out for a degree of pension indexation in their latest dispute, which grounded the state-owned airline for three weeks in December.

Two months earlier, a government scheme to replace union-staffed postal stations with non-union franchises had sparked an ill-tempered, 17-day stoppage by the 23,000-strong Canadian Union of Postal Workers.

Both issues are sure to raise their heads again this year. The 160,000-member Public Service Alliance of Canada is expected to focus on contracting-out in its forthcoming negotiations on behalf of federal public servants. Later, in July, British Columbia's ambitious privatisation plans will come under fire when contracts with 60,000 provincial employees who are fearful for their jobs expire.

Apprehension regarding the US-Canada trade deal is based on the premise that it will lead to wide-ranging industry restructuring and job losses, as well as the erosion of Canada's generous social programmes. Such views directly contradict the government's own projections, which call for a sizeable net job gain following the implementation of the agreement.

As if these external issues did not leave it with enough on its plate, the Canadian labour movement is also having to confront various internal problems.

For one thing, while membership figures remain superficially encouraging (especially when compared with the US), the unions have enjoyed little success in attracting new white collar members.

Higher membership among workers in the financial and other service sectors is crucial to the labour movement if further expansion is to be achieved, since these – by and large – are Canadas growth industries. "If they do not make progress there, they will not grow," says Mr Kumar. "The sectors where the unions are strong are generally sunset industries."

But at a time when the movement's prime concerns should be boosting penetration and securing better terms for existing members, its strength continues to be sapped by unseemly internecine squabbling. The ongoing tussle between the CAW and the United Food & Commercial Workers International over the loyalties of 23,000 Atlantic fishermen is a fitting current example.

At present, Canada's TUC, the umbrella Canadian Labour Congress, speaks for just 58 per cent of the overall unionized workforce. "The movement has a horrendous constructional problem," says Mr John Crispo, a University of Toronto political economist.

US plans F-16 sales to allies

THE US Administration has notified Congress that it plans to sell jet fighters to Israel, Pakistan and Bahrain and to equip Egypt's six Soviet-built submarines with US torpedoes and radar, AP reports from Washington.

A classified report said Egypt also would purchase an unspecified number of M-60 tanks. Pakistan would buy P-3 Orion aircraft to hunt submarines, as well as either Awacs (airborne warning and control system) or Hawkeye radar aircraft.

The report covering projected arms sales for 1988 was sent last month to the Senate foreign relations committee and the foreign affairs committee of the House of Representatives.

After Congress is notified officially of a projected sale it has 30 days to block it by majority votes of both the House and Senate.

The 75 F-16 jet fighters for Israel are intended to compensate for the Lavi, the jet Israel was building with US financial support but which was cancelled last August.

Pakistan, another US ally, would purchase an unspecified number of F-16s. Bahrain would buy four F-16s as well as a number of helicopters.

Saudi Arabia is due to get equipment for its US-built Awacs radar aircraft and also $500m worth (about 400) of Bradley armoured personnel carriers.

Brazil interest payment

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

BRAZIL, which last month described its decision in February 1987 to declare a moratorium on interest payments to creditor banks as its "worst mistake", yesterday made a further interest payment to creditor commercial banks.

The payment of $118m, together with payments of $350m made on February 2 and $520m earlier this month, were part of a previously-announced plan to cover interest arrears on medium- and long-term debt for January and February.

A statement issued jointly by Brazil and Citicorp, its leading bank creditor, said the payment would be met from Brazil's reserves.

Further payments are expected during talks on a rescheduling of its bank debts. The two sides have agreed on a figure of $5.8bn for the commercial banks' share of Brazil's financing needs for 1987, 1988 and the first half of 1989, and there are hopes of a detailed rescheduling plan by the end of the month.

The change in the Brazilian attitude has encouraged optimism among bankers. Mr John Reed, Citicorp chairman, said progress on Brazilian repayments could result in a gain for the bank of about $400m this year.

Argentina accuses Britain at UN Security Council

ARGENTINA said yesterday in the United Nations Security Council that current UK military manoeuvres in the Falklands area clearly expressed Britain's will not to negotiate a settlement of the dispute over the islands, Reuter reports from New York.

Mr Dante Caputo, Argentine foreign minister, questioned the British contention that the exercise was simply to test the reinforcement capability of the Falklands garrison. He was addressing the council at a meeting that he had requested.

"We naturally have more than sufficient reason to think that that objective does not reflect the true intentions of the United Kingdom," Mr Caputo said.

Britain and Argentina went to war over the Falklands in 1982 after Argentina, which claims sovereignty, invaded the islands. Britain has rejected repeated UN calls for negotiations to settle the dispute.

Mr Crispin Tickell, the British delegate, said that Britain was working to establish a more normal relationship with Argentina, but its many steps to that end had not been reciprocated.

"To use an Argentine image, it takes two to tango," he said.

The British garrison in the islands was entirely defensive and threatened no one, Tickell continued. "In the past two years our reinforcement capability has allowed us to halve the number of troops we keep on the islands.

"This is surely a contribution to the lowering of tension rather than the opposite." In his remarks, Mr Caputo said that what he termed "this serious incident" was evidence of an attitude that threatened international peace.

He asked the council to assess the attitude of a government that, having supported UN General Assembly decisions aimed at reducing military personnel and activities in the South Atlantic, behaved in a way that was exactly the opposite of those decisions.

"If a permanent member of the Security Council decided to be above the Charter, ignoring for example its duty to search for a peaceful solution of the dispute to which it is a party, what can we expect from other countries?" he asked.

"The way in which the United Kingdom ignores the Charter undoubtedly is a point in favour of those interested in discrediting the United Nations as a useless institution.

"No excuse authorises the United Kingdom to adopt such an attitude as the present one in the South Atlantic or to ignore its duty to start negotiations with Argentina to solve in a peaceful and definitive way the sovereignty dispute over the Malvinas islands."

The British delegate said that the call for negotiations was a thinly disguised demand for negotiations on sovereignty.

"The Argentine government has made it plain many times that such negotiations can have only one outcome," Mr Tickell said. "The annexation of the islands by Argentina.

"This is an outcome which, and there is no doubt about it, would be quite unacceptable

"What the Argentines want is not negotiations, but talks about a handover date," he said.

Mr Paulo Nogueira-Batista of Brazil, which like Argentina is a council member, urged negotiations on the Falklands issue.

All acts that could create tension and block the necessary conditions for political dialogue must be avoided, he said.

Mr Aleksandr Belonogov of the Soviet Union said the movement of arms to the islands could not serve to promote a political settlement. It was clear, he said, that the British action ran counter to the peaceful desires of the countries of the region

Truck sales unscathed by stock market fall

By John Griffiths

THE Stock Market crash of last October appears to have had little effect on European truck sales or production, concludes industry analysts DRI Europe.

Indeed the market overall, in the short term, now looks more buoyant than expected before the crash, DRI says.

Its comments are made in an updating of its annual European Trucks Forecast*, published just as the market crash took place.

However, DRI points out, marked variations are appearing in the outlook for individual European countries.

Prospects for the Dutch and Swedish markets are gloomier than expected last November, and there seems a greater risk of a weaker market emerging in West Germany.

The latter arises partly from the lacklustre performance by the country's construction industry and partly from a reluctance to invest because of the downturn in the exports sector brought about by the strong D-mark, DRI says.

In southern Europe and the UK, by contrast, "1987 finished more buoyantly than expected and these markets look likely to be stronger in 1988 than we had forecast".

DRI forecasts a fall in total West European production of commercial vehicles this year of about 3.4 per cent, to 1.459m, with a further fall of 1.4 per cent, to 1.438m, the following year.

**European Truck Update, DRI Europe, 30 Old Queen St, St James's Park, London SW1H 9HP. Free*

Norsk Hydro in Venezuela deal

By Joseph Mann in Caracas

THE VENEZUELAN Government and Norsk Hydro of Norway are to invest $207m (£112m) on building a liquid ammonia plant in eastern Venezuela. The plant, expected to be on stream by 1991, will have installed production capacity of 500,000 metric tonnes per year of liquid ammonia. Its output will be exported.

This investment is part of a government programme to build up the petrochemical industry.

US Congress clashes on Toshiba/Kongsberg sales embargo

Nancy Dunne reports on problems with a Senate provision in the omnibus Trade Bill

CONFEREES FROM the US Senate and House of Representatives negotiating over the omnibus US Trade Bill are locked in battle over a Senate-passed provision to impose stiff sanctions against Toshiba Corporation of Japan and Kongsberg Vaapenfabrik of Norway for the sale of advanced submarine technology to the Soviet Union.

The struggle over the Toshiba and Kongsberg ban mirrors the wider conference dispute over easing export controls. While House negotiators are seeking to loosen controls to Western destinations, except in the case of extraordinarily sophisticated technology, the Senate would ease to a lesser extent, while adding tough punishments for violation. The Toshiba-Kongsberg ban would just be the first. Last summer, both Congress and the Administration attacked the two companies for allowing milling machinery used to produce quiet submarine propellors to be sold to the USSR, and punitive measures were attached to the trade legislation. But now House members have refused to go along with the 2-5 year embargo on Toshiba and Kongsberg sales in the US.

They have, however, proposed to give the president discretionary power to impose the sanctions; but in the full knowledge that the Reagan Administration is opposed to retribution. The Administration position, once dominated by hardliners like Mr Richard Perle, the former Pentagon Assistant Secretary, is now in the hands of moderates who believe US business has been the greatest loser to rigid unilateral export controls.

The Pentagon itself has much to lose by sanctions. It has used the Toshiba case to get promises of more stringent international regulations through the Co-ordinating Committee on Multilateral Export Controls. It has also secured from the Japanese government a costly gesture of contrition: a pledge of research and development funding for new anti-submarine warfare research.

As the House and Senate committee staffs have struggled to find a compromise over the Toshiba ban, numerous press reports, said to be based on Central Intelligence Agency findings, have surfaced to attribute other illegal diversions to Toshiba Corporation. According to these reports, Toshiba sold an unnamed Eastern bloc nation a manufacturing factory to make computer chips in 1979 or the early 1980's and sold East Germany a more advanced assembly line for computer chips in 1986. Toshiba, the reports say, was planning to sell East Germany a second computer chip assembly line in 1987 but broke off the negotiations after they became known to US officials.

Mr David Houlihan, a lawyer for Toshiba, says the allegations are not new but have been resurrected "in an orchestrated way by the people who want sanctions." He insists that the first sale was legal and approved by CoCom; that the second alleged sale did not happen; and that the 1987 negotiations were for a sale which would have been legal but they were dropped by Toshiba officials for public relations reasons.

The Pentagon said in a statement that it had conducted two investigations of Toshiba over the past year. One resulted in the end of further servicing and equipment to the Soviet Baltic Shipyard in Leningrad, which was making propellors for submarine quieting. The other concerned a possible sale of a printed circuit board manufacturing plant to East Germany "from which Toshiba Corporation voluntarily withdrew." The Department discussed the other allegations with the Japanese government and is satisfied that "the evidence is simply not compelling."

Among the hardliners in Congress, there is widespread disgust that the Pentagon has been noticeably backing away from earlier statements that the Toshiba sales were disastrous to US security. Initial estimates were that the diversion would cost $1bn to $8bn for the immediate costs of replacing compromised equipment plus billions more to develop countertechnology.

Mr Richard Armitage, the Pentagon's Assistant Secretary for International Security Affairs, is now saying the actual damage done by the diversion is "difficult to assess." In a letter to Mr Les Aspin, chairman of the House Armed Services Committee, he acknowledged: "Despite allegations of tens or even hundreds of billions of dollars in damages, our Navy cannot determine the direct costs of this diversion to the US national security because the Soviets had quiet propellers three years before the first diversion, and we had already planned R&D programmes to deal with this development."

The Japanese government has punished the guilty, he said. Further retribution would be interpreted in Japan "as motivated by trade imbalances rather than by national security concerns and would weaken our efforts to strengthen COCOM."

Honeywell plans Soviet automation joint venture

BY LESLIE COLITT IN MOSCOW

HONEYWELL of the US plans to set up a joint venture with the Soviet Union next month to produce automation equipment for the Soviet chemical fertiliser industry.

Mr James J Verrant, a senior vice president of Honeywell, said in Moscow that the new company would produce industrial control systems for ammonia fertiliser plants being built in the Soviet Union and would modernise Soviet factories already in operation. The staff of the company would consist mainly of Soviet citizens.

The Soviet-US venture would be only the third between the two countries after Combustion Engineering signed the first accord with the Ministry of Chemistry and Petrochemicals last December.

A computer software company is believed to be another US joint venture partner.

Mr Verrant said that Honeywell and the Soviet side were still negotiating but that he was confident of a signing on April 14. This is the closing day of the annual session of the US-Soviet Trade and Economic Council in Moscow.

He said he could not set a value on the joint project until that date.

The impetus for the joint venture, Mr Verrant said, was given by Honeywell's participation at the Chem 86 Exhibition in the Soviet Union last year, when it showed its TDC line industrial control system for an ammonia fertiliser plant.

What is expected to be the largest joint venture between the Soviet Union and Western companies was announced earlier this week.

Subject to a feasibility study Occidental Petroleum of the US, Montedison and Enichem of Italy and Marubeni of Japan said they would set up a $6bn (£3.2bn) joint venture with the Soviet Union to produce sulphur, polypropylene, and polyethylene, partly for the world market, from a big new petrochemical complex at the Tenghiz oil and gas fields in the Caspian Sea.

Pharmaceutical research boost

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE SOVIET Academy of Medical Sciences has formed a company, Biocard USSR, to promote co-operation and joint ventures with Western pharmaceutical concerns under the new policy of economic restructuring.

A statement from the Academy, released through Continental Industrial Supplies (CIS), Biocard's UK representatives, said the new company was intended to be the main channel for initiating co-operation between Soviet medical research institutes and Western companies.

Mr Jeremy Rommer of CIS said the main aim was to market Soviet research and know-how in the West. Biocard will offer Western companies access to Soviet clinical trial facilities which could be attractive because of the shortage of such facilities in the West, he said.

But he added that the chances of Western companies using co-operation agreements to increase their sales of drugs in the Soviet Union were "not all that high".

As with joint ventures in other industrial sectors, the Soviet Union is more interested at this stage in expanding its markets in the West, possibly through production under licences or joint ventures as well as through the joint development of pharmaceuticals.

Egypt to woo foreign investors

By Tony Walker in Cairo

EGYPT has authorised the formation of three holding companies with a total planned capital of E£500m (£120m) to encourage new investment in the country.

Dr Mohieddin al-Gharib, the deputy chairman of Egypt's Investment Authority, said this was the most significant achievement of a four-day investment conference held in Cairo this week which was attended by several hundred investors from the Arab Gulf states.

He said 117 new projects in tourism, manufacturing and agriculture were offered to investors, many of whom had come from Saudi Arabia and Kuwait.

Dr al-Gharib said the three new private sector holding companies, 40 per cent of whose shares would be offered to the public, would be concerned with manufacturing industries, agricultural production and allied industries, and tourism and real estate.

The meeting was convened to take advantage of renewed Arab business interest in Egypt after an Arab League summit in Amman last November cleared the way for restoring diplomatic relations with Cairo. Most Arab states broke relations in 1979 in protest over its peace treaty with Israel.

British exports to S Africa rise 12%

BY MICHAEL HOLMAN

UK EXPORTS to South Africa in 1987, totalled £949m, an increase of nearly 12 per cent over the preceding year, confirming the Republic's place as the leading market in sub-Saharan Africa for British goods.

According to the annual report for 1987 of the London Chamber of Commerce's Tropical Africa Committee, UK exports to the 44 sub-Saharan countries monitored reached £2.5bn in 1987, up 4 per cent on 1986.

South Africa, which does not fall within the committee's remit, showed the largest single-country increase, and exports to other countries remained steady overall, but there were some significant changes in individual markets.

While the report does not comment on Britain's performance in South Africa, it is clear that UK traders have in general not allowed the issue of sanctions against Pretoria to affect business.

Britain has banned the import from South Africa of Krugerrands, iron and steel, computer equipment, and petroleum.

Last November, Mr Alan Clark, Minister for Trade, urged private sector companies to continue to do business with South Africa, saying that as the country became more industrialised "it will continue to present new and exciting opportunities". Within the limits of Britain's international obligations, he said, trade with South Africa should be determined "by the commercial judgment of those engaged in it".

Exports to Nigeria, the largest market after South Africa, fell £64m to £482m, the lowest level for many years, says the report, noting however that Britain retained its market share.

UK exports to Tanzania rose by £28m (46 per cent) and the Kenyan market increased by £29m (17 per cent), while in West Africa sales to Ghana rose £25m (22 per cent). Last year Mauritius became sub-Saharan Africa's largest exporter to the UK (excluding South Africa) with sales of £163m, overtaking Nigeria (£158m) for the first time.

Turning to Francophone markets, the report asks: "Are we finally getting the measure of the French?" and suggests that the answer is no, recording lower UK sales in Cameroon, the Ivory Coast and Zaire.

One other "sad performance", says the report, was Malawi, where UK exports dropped £10.5m (37 per cent) and imports declined by £13m (22.5 per cent). "The combined effects of political uncertainty, transportation problems and drought appear to have hit this once thriving economy badly."

The overall balance of the UK's visible trade last year with sub-Saharan Africa was £468m in Britain's favour, "a very worthwhile contribution to our economy", says the report.

EC to probe HK mobile phone sales

By William Dawkins in Brussels

MOBILE telephones exported from Hong Kong to the European Community are being investigated by EC trade experts for alleged unfair under-pricing.

The European Commission inquiry comes in response to a complaint by Motorola (UK), the British subsidiary of the US cellular telephone producer, that Artek, a Hong Kong producer, was selling its equipment in the EC for less than on its home market, the classic definition of dumping.

Last July Brussels launched investigations into the possible dumping of radio telephones from Japan and Canada. These were also in response to complaints from Motorola.

The UK company is the only EC producer of full telephone sets using Total Access Communications Systems (TACs). These are sold only in Ireland and the UK, where the number of sets in use reached 235,000 at the end of last year.

Motorola says cheap imports resulted in prices falling 45 per cent between the second half of 1985 and late 1986, to below the level required to cover manufacturing costs. The Brussels authorities have given the companies involved 30 days to put their cases.

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Timothy Scott Kelleher: a strong aversion to petty privileges and barriers between management and workforce

Verson: engineering a way out of adversity

Richard Tomkins on a strategy to rejuvenate ailing UK metal-bashers

THERE ARE few Texans in Walsall. To inhabit this West Midlands metal-bashing town is to be confronted almost daily by a conspicuous absence of ten-gallon hats, long-horn steers, chainsaw massacres and all the other necessary accoutrements of life in the Lone Star State.

Yet it is here among the decaying shells of factories emptied by recession that a man dubbed Texan Tim is conducting an unusual experiment in industrial reconstruction.

Chicago-born but Dallas-raised, 39-year-old Timothy Scott Kelleher is the chairman and chief executive of Verson International, a Walsall-based agglomeration of once-ailing British engineering businesses he has quietly been putting together over the past six years.

All the subsidiaries have two points in common. One is that they are old-established companies making machinery for bending, shaping, forming or joining metal, and the other is that all, when acquired, were in varying degrees of distress.

The parts are better known than the whole. Wilkins & Mitchell was renowned as a manufacturer of power presses and Servis washing machines when Kelleher picked up its engineering operations from the Receiver in 1982. The HME range of coin minting machines was bought off Cincinnati Milacron in 1984, A.I. Welders was bought from International Thomson Organisation in 1985, and the Bentley ductile engineering works from Glynwed Engineering at the end of 1985.

The most recent acquisition came at the end of 1986 when Kelleher reversed Verson into the quoted Bronx Engineering, a highly regarded maker of steel and aluminium processing machinery. It was this move that brought Verson a stock market quotation when the merged group's shares were readmitted to the list in January.

Like all the best management strategies, Kelleher's rationale in assembling this odd collection of companies is disarmingly simple.

Many small engineering businesses in the UK and elsewhere, he says, thrived during the 1950s and 1960s on the back of buoyant domestic demand. But lack of size, or lack of vision, prevented them from expanding into overseas markets, so when domestic demand slowed down, their engineering excellence was not enough to prevent them from sliding into crisis.

Kelleher's solution is to define a sector where this appears to have happened, set up an international marketing operation to serve it, and then start picking up ailing companies whose products can be driven through the sales network into a common customer base.

"Anytime we identify a market where we believe we can generate twenty times the overheads of an office, we open an office. The other side of the equation is that before we acquire a company we have to be sure that we can double its turnover in two to three years."

Kelleher acknowledges that getting the sales organisation in place before the manufacturing operations, may appear, as the Texan in him puts it, an ass-backwards approach. "But the more sales offices we have, the easier it is to increase the turnover of our companies, and the more the turnover of our companies increases, the easier it is to support the opening of new sales offices. It's a virtuous circle."

The advantages of this strategy are two-fold. One is that each company is provided with a worldwide sales network of a size which it could never hope to sustain on its own. The other is that as more companies are acquired, the cost of maintaining the sales offices decreases as a proportion of group sales.

Kelleher is not, of course, the first manager in the world to appreciate the joys of shoving increased turnover through fixed sales overheads. For him, the maturity of the businesses is a positive boon. The concomitants of that maturity, he says, are clearly defined markets, readily assessed demand, and a low risk of unexpected competition either from new entrants to the sector or developments in technology.

The germ of the idea for the strategy came to Kelleher in 1974 when, just 25 and fresh out of business school, he was working as a junior manager for Verson's one-time parent, a family-owned US engineering conglomerate called Verson Allsteel Press.

VASP had sent him to Belgium to close down a loss-making engineering subsidiary, but instead Kelleher came up with the theory that this company, and others like it, could be saved if given access to wider markets.

VASP, a company big enough to absorb the risk, decided to indulge young Kelleher. In 1979 it sent him to London to head Verson International, a company created to carry out the strategy.

A worldwide chain of sales offices began to evolve and the programme was launched with the purchase of Wilkins & Mitchell's Walsall-based power press operations in 1982.

The parent company's faith in Kelleher's plan was to go unrewarded. In 1984 VASP ran into severe financial difficulties triggered partly by the troubles of its bankers, Continental Illinois, and had to sell off Verson International along with other assets. (The parent eventually succumbed to another US corporation, Allied Products.)

But VASP's plight was Kelleher's good fortune. He and fellow executives, backed by Lloyds Bank, Citicorp Capital Investors Europe and Lloyds Development Capital, bought out the London-based Verson International for £2.8m in 1985 and resumed making acquisitions.

It was not just Kelleher's new-found independence that made his position enviable. One obvious disadvantage of his strategy had been that the front-end costs were considerable; international sales offices took time to break into profit, and acquisitions were almost by definition loss-makers initially. In this case, however, VASP had absorbed much of the punishment, leaving Kelleher to reap the rewards.

Sure enough, the earlier (VASP) years of Verson's five-year trading record are liberally sprinkled with red ink, not to mention a morass of exceptional items. But the company has come to the market at a time when the experiment is looking as though it just might work.

After pre-tax profits of £176,000 on turnover of £31m for the 14 months to January 1987, Verson expects to report £750,000 pre-tax for the year to January 1988; for the year just begun the company's stockbroker, Smith Keen Cutler, is forecasting £1.5m.

There is more to the turnaround than simply better marketing. Kelleher's arrival at a new business is accompanied by an immediate purge on non-essential overheads. "We took half a million pounds' worth of overheads out of Bronx in less than a week," he says.

Redundancies are kept to the minimum, for Kelleher believes human skills are an engineering business's most important attribute. Instead, his favourite targets are petty privileges such as directors' dining rooms and company cars. Kelleher has a strong aversion to barriers between management and workforce. "The quickest way for a manager in one of our factories to lose his job is to be caught not knowing an employee by his first name."

Verson does have its weaknesses. The balance sheet, for example, still lacks strength; net debt is at 50 per cent of shareholders' funds even after a £1.4m fillip from the rights issue which accompanied the relisting, so the company is going to need all the cashflow it can muster if it is to continue financing acquisitions out of cash.

The company could also be accused of being just plain lucky. It could be argued that it is enjoying a cyclical upturn in world demand for capital goods and that the next downturn will prove its undoing. Further, nearly all its competitors are in West Germany (Schuler, for example, and Ungerer) or Japan (Komatsu, IHI), so it has been extraordinarily – and perhaps only temporarily – well favoured by exchange rates.

Kelleher says these last criticisms miss the point because the international sales division was set up specifically to iron out fluctuations in geographical markets, whether caused by shifts in demand, exchange rates or competition.

Vulnerability to individual markets is also being decreased by the setting up of co-production agreements through which Verson provides technology and higher added-value components, leaving low-margin production to the overseas partner.

One criticism on which Kelleher is prepared to give ground is the suggestion that Verson's expansion is good only for as long as the supply of troubled West Midlands metal-bashing machine makers holds out.

"True, we will eventually run out of companies that are in the engineering processes we are in today," he says, "but we will not run out of troubled West Midlands engineers in other niches.

"We are already investigating businesses in sectors with the same dynamics, sectors in which we can bring the same sort of principles to bear. It could be shoe-making machinery, textiles machinery, printing machinery, anything like that. It doesn't have to end with metal-forming machines."

Role reversal

The biter gets bitten

Michael Skapinker reports on what happened when Outward Bound instructors swapped their environment for that of their clients

Orienteering in Soho

A GROUP OF ten visitors to London drifted aimlessly through Soho last month, too exhausted to decide what to do next.

They were not tourists who had taken in too many shows, galleries and Oxford Street shops. They were instructors from the outdoor training organisation Outward Bound, discovering that surviving in a large metropolis can be every bit as difficult as roughing it in the wild.

The instructors usually spend their time persuading city-bound managers and other clients of the benefits of hiking through rain-soaked forests, abseiling down rock faces and jumping into freezing lakes.

They came to London to learn something about the lives their clients lead and to participate in a three-day event called Inward Bound.

This included finding their way to various obscure parts of central London on the basis of a few cryptic clues, carrying out a management consulting project for a small manufacturing company and trying to persuade senior executives of the Central Electricity Generating Board to send their managers on Outward Bound courses.

Inward Bound was devised by management consultants from Ernst and Whinney, seven of whom spent spent three wet and often uncomfortable days on an Outward Bound course in Wales last June.

At tha end of their course, Steve Gough, the Outward Bound warden or senior instructor, asked the Ernst and Whinney consultants if they could come up with a city-based programme for his own staff.

The aim, Gough says, was "to put us in a novel environment as we do with peopla who come here, to remove all the props we're used to."

The programme Ernst and Whinney devised kept the Outward Bound instructors working well into the night. Apart from the consulting and CEGB projects, the Outward Bound instructors had to take on the role of foreign exchange dealers in a simulated computer game.

They were also sent to eat at a North London restaurant which, instead of having prices on the menu, asks its customers to decide how much they want to pay. The group ended up paying £17.50 a head – a bit too much in tha opinion of the Ernst and Whinney people.

In addition, they were given two documents to decipher, one in Japanese and one in Farsi. An Iranian friend translated the Farsi document. The group ended up spending £45, however, to have tha Japanese one translated. Both turned out to be recipes for the dinner the instructors had to cook for the consultants at Ernst and Whinney.

The instructors might have been able to comfort themselves that it didn't really matter if they failed these exercises. The consulting and CEGB projects were a different matter: they were for real.

The small manufacturing company agreed to be part of the Inward Bound project because it urgently needed consulting advice but could not afford to pay for it. Even advice from first-time consultants might, they thought, provide them with some useful ideas.

The Outward Bound instructors talked to the company about their production costs, their competitors, their management information systems and their marketing. They then worked long hours writing their report.

They did not always show the stamina and teamwork one might expect from people who spend their time trying to inculcate these qualities in others.

"The things they were very good at in their own environment they didn't do as well in an alien environment," says Ernst and Whinney's Diana Littman. "In tha consulting exercise their planning was very bad. When we gave them the assignment, nobody seemed to want to take the lead – and they run leadership courses all the time."

In the end the group did manage to produce a report for the company and make a series of presentations to them. The presentations were of mixed quality.

Some were lacklustre and patronising. One instructor, explaining a system of calculating production costs, told the company: "I don't know if it would be beneficial to show it to you at the moment. It's maybe a bit too complicated." But other presentations, particularly on marketing, were filled with good ideas, many of which the company found helpful.

Those instructors who made a presentation to the CEGB extracted an undertaking from its executives to consider sending employees to Outward Bound.

Did ths Ontward Bound instructors return to Wales with a new respect for urban managers? "We've always had a healthy regard for those who work in the City," Steve Gough says. "Now we've a better understanding."

Inward Bound, he says, "was a resounding success. It put us under tremendous stress. It made us examine our priorities. We've got a lot of questions to address now."

FT LAW REPORTS

Admiralty defendants must pay their own costs

VASILI SHELGUNOV
Queen's Bench Division (Admiralty Court):
Mr Justice Sheen:
March 16 1988

PLAINTIFFS IN an Admiralty action *in personam* have 21 days in which to decide whether to accept a payment into court, in the absence of special circumstances; and if they accept within that time so that the action is settled, they are entitled to their costs up until they take the money out of court, and *are not liable for expenses* incurred by the defendant after payment in.

Mr Justice Sheen so held when ordering that plaintiff owners of cargo shipped on the Vasili Shelgunov were entitled to their costs up to the date on which they took out of court money put in by the defendant shipowners.

HIS LORDSHIP said that in December 1981 and early 1982 a cargo of sugar was carried in Vasili Shelgunov from Rouen in France to Lome in Togo. It was discharged and found to be in damaged condition.

On January 28 1983 a writ *in personam* was issued out of the Admiralty Registry, addressed to the shipowners in the USSR.

Service was accepted by solicitors on the shipowners' behalf. A statement of claim and the defence were served. During the next three years little progress was made.

On November 17 1986 the court made an order for directions and fixed the trial for March 7 1988. On February 8 1988 the plaintiffs suggested it would be sensible to see whether the dispute could be resolved amicably.

The claim, which was for $385,231, was apparently treated with derision by the shipowners, who offered $50,000. The plaintiffs offered to settle for $210,000. The shipowners suggested they should accept less than $100,000.

On February 12 1988 the shipowners telexed the plaintiffs that they were paying $80,000 into court. They said that if it was accepted the plaintiffs would be entitled to their recoverable costs up to date of payment in.

On February 17 the plaintiffs telexed the shipowners that if they would increase the payment into court to $100,000, it was likely to be accepted.

There was no answer. After February 17 there were no further negotiations, and preparations for trial continued. Counsel were briefed and the Russian shipowners arrived in London with relevant documentation and witnesses.

The plaintiffs accepted the payment into court on March 3, the twentieth day after it had been made.

On the present application the defendant shipowners contended that the plaintiffs were liable for costs incurred after payment into court.

The appropriate order for costs was within the court's discretion.

Order 22 rule 3 of the Rules of the Supreme Court provided that a plaintiff might accept money paid into court "within 21 days after receipt of notice of payment" in satisfaction of the action.

That rule was expressly *excepted from the rules applicable* to Admiralty actions by RSC Order 75 rule 24.

There were good reasons why Order 22 rule 3 should not apply to Admiralty actions *in rem*. But there was no good reason why it sould not apply to Admiralty actions *in personam*.

If an action commenced in the *Commercial Court* or the Admiralty Court it was highly desirable that rules concerning payment in and out should be the same. That seemed essential now that there was one Registry serving both the Admiralty and Commercial Courts.

The present action was *in personam*. It could have been commenced with equal propriety in either court.

Likewise, it seemed highly desirable that there should be certainty as to the time within which an offer of settlement must be accepted or rejected. It was most undesirable, if an offer had been accepted, that it should be necessary to incur the costs of further inquiry as to whether it was accepted within a reasonable time.

Mr Glennie for the shipowners submitted that the telex message of February 17 was evidence that by then the cargo-owners had had a reasonable time to consider the offer, and that they ought to be at risk on the question of costs immediately thereafter.

It was the court's policy to encourage settlement. It would discourage communication if the result was that plaintiffs could not thereafter accept the payment into court without paying further costs.

In *Cutts v Head [1984] 1 Ch 308* Lord Justice Oliver said the procedure for payment into court in the case of actions for debt or damages was nothing more nor less than a "without prejudice" offer of settlement. He said "the *only essential difference* is that it is backed up by a deposit with the court."

It was an offer which remained open for acceptance for 21 days. The plaintiff could change his mind in that period.

When Order 22 rule 3 applied, a plaintiff could freely enter into negotiations in the hope of obtaining an increased offer, without putting himself at risk of paying any costs until after 21 days.

The position should not be any different in an Admiralty action *in personam*.

Mr Glennie complained that the result would be that his clients would have to pay all the expenses of briefing counsel and bringing witnesses to London, though the plaintiffs ultimately accepted an offer made before those expenses were incurred.

If defendants wished to protect *themselves against the costs of a* trial, they must offer settlement or pay into court at a much earlier stage.

The court discouraged brinkmanship. In the present case both parties had been able to assess the merits many months ago.

Although Order 22 rule 3 did not apply to the present case, 21 *days* was a reasonable time within which to accept money paid into court.

That approach was supported by Mr Justice Brandon in *The Osprey [1967] 1 Lloyd's Rep 94*. He said the defendants were entitled to costs as from the date when the offer of settlement "might reasonably have been accepted". *He* allowed 14 days, which at that time was the normal period for taking money out of court.

When an offer of settlement of an Admiralty action had been made by letter it had always been the court's practice to allow the recipient the same time as was applicable to the right of a plaintiff to take money out of court.

That practice was endorsed.

Unless there were special circumstances, 21 days was a reasonable time within which a plaintiff must decide whether or not to accept a payment into court.

The plaintiffs were entitled to an order for their costs up to the date of taking the money out of court.

For the plaintiffs: Adam Fenton (Elborne Mitchell)
For the shipowners: Angus Glennie (Middleton Lewis Lawrence Graham)

Rachel Davies
Barrister

CHINA'S ECONOMY

Robert Thompson looks at the progress of the Chinese economic reform plans

Trapped in mid-furrow

THE SHOPPERS who crowd, jostling and haggling, round China's street stalls – in the tenth year of the Chinese economic reforms – are starting to feel that there is no such thing as a free market, and that economic reform's once unquestioned virtue is now, like the price of chicken, debatable.

Thoughtful Chinese will be struck by two changes that highlight the problems facing this ambitious reform program. The resounding successes of the early years, the agricultural boom and the enthusiastic support of the masses, have faded – agriculture is now a serious problem and the masses are ambivalent, if not unhappy.

The elderly women in the market expressing disgust at the cost of pork and cabbage, will also be saying that prices this year are 50 per cent or more higher than last, and that this thing called reform has gone far enough. Meanwhile, perceptive readers of the People's Daily have noted wildly differing official statements on agriculture policy and confusion over what to do next.

The Communist Party's pragmatists should be grateful that the crisis of popular confidence in reform and the rationing of pork, eggs and sugar have come when conservatives in the Party, worried by the rapid changes, do not have sufficient numbers to exploit them. The gains made by reformers at last year's party congress are likely to be consolidated at a sitting of the National People's Congress, China's parliament, beginning next week.

But having the numbers does nothing to solve the agricultural difficulties or the reform's image problem. Care is needed with price reforms, designed to rid the economy of most subsidies, but corrupted by the reintroduction of subsidies and by overheated industry (production was up 25 per cent in January 1988 compared to the same month last year). The Communist Party leaders, having put ideology on hold, in effect have a mandate to prove themselves responsible managers of a troubled economy.

In 1984, grain production reached 407m tonnes, and became a symbol of the reform's success. Elderly leaders who shared Mao Zedong's obsession with building grain stocks and measured China's progress by harvest statistics, could not argue that reform in the fields was not working – although, in fact, the crop was too large and the losses to rats, the weather, and corrupt cadres were heavy.

But last year, grain output was 401m tonnes, below target for the third successive year, prompting a debate about agriculture in the official press. The Economic Daily concluded that development had "come to a standstill" and was itself was criticised by one commentator for "giving people the impression that agriculture is not included in your economy."

The rural "responsibility system", which gave farmers contracted control of land and increased state purchase prices for their products, contributed to the initial boom. Farmers made the most of infrastructure work done by the state before 1978, and output, despite often unsympathetic weather, rose in every sector.

As a result, there was more money in peasant pockets and more food on urban plates and the masses were happy. The government presumed that the contract system and better returns would encourage farmers to improve their land, but doubts about the reforms' future and the smallness of the land allotments made development work unattractive. More recently, fertiliser prices have risen sharply, while returns on many products have fallen, creating frustration.

Other problems are the peasants' passion for building large houses, often on prime land; and the haphazard development of rural industries. Rural industry was encouraged as a way of soaking up the 100m or so redundant farm labourers. In Jiangsu, an east-coast province north of Shanghai, for example, private industrial output exceeded state output last year for the first time since the 1949 revolution. Yet the small factories are often energy-inefficient, produce poor quality goods and chronic pollution.

China has been advised by the World Bank, among others, to allow rural industry to develop in areas of natural advantage, particularly the eastern provinces which could then concentrate on agricultural cash crops, shifting grain production to central and western China, with grain imports to make up the difference.

This advice makes sense, and has apparently impressed the party chief, Zhao Ziyang, a supremely practical man. But it calls for the dumping of several long-cherished principles. Mao Zedong stressed that to be strong, China must be self-sufficient in grain, a sentiment reflected in his exhortation to "dig tunnels deep and store grain everywhere" as the threat of Soviet attack intensified during the 1960s.

Another problem is the parochialism that decentralisation has inspired. No province wants to be lumbered with grain production, when it has grand plans for a Silicon Valley or to be China's Detroit.

Accustomed to total control, the Government has been frustrated by its inability to orchestrate agricultural production, to quell inflation, now 10 per cent nationally and 14 per cent in urban areas, or to implement price reform as planned. And the Government is worried that it could lose control over the masses.

However, the government has shown that it can still control the trade balance – a $1.9bn surplus was reported last year after a deficit of $9.1bn in 1986. But some of the means to that end, curbing imports and increasing subsidies to export industries, reflected the return to favour of central controls. Officials have also decided that "market mechanisms" alone will not halt spiralling raw materials prices, so ceilings have been imposed and subsidies increased, temporarily, or so the government hopes.

China now has two raw materials markets. One is state-subsidised and provides goods for production covered by state plan, often about 30 per cent of large factory's output, depending on the nature of the product. The other 70 per cent must be bought on the raw materials market, at prices up to 400 per cent more than the state price because of scarcity, and the factories are hurting.

How much the masses are hurting is difficult to gauge. A student explained that his monthly living allowance is 32 yuan (£4.67) but his food costs alone are 60 yuan (£8.75). His parents make up the difference. At a market, an elderly woman clutching a five yuan note (72p) lamented that it buys what five jiao (9p) bought a few years ago.

It is clear that the Chinese want the freedom of reform, the pay bonuses and the improved variety and quality of goods, but their confidence has been shaken by inflation. The early successes heightened expectations – expectations that have not been met. The Prime Minister, Li Peng, conceded in his New Year address that many urban residents had suffered a "lowering of living standards" in the past year.

The Chinese are also conscious that a few of their number, particularly private business people, are earning extraordinary amounts. In December, the Peking Watch, Clock and Spectacle Company imported 20 Swiss watches, presuming that at 8,960 yuan – about eight times an average annual salary – they would remain on display in the shop window. Within a month, 19 were sold.

Such conspicuous consumption has done nothing for reform's image, as it prompts complaints that the real beneficiaries of change are fast-talking speculators and black market money-changers. Meanwhile, the government has told Chinese workers that excessive granting of bonuses has contributed to overheated demand and inflation. Premier Li said the priority this year is to "stabilise" prices: "without a stable economy it will be hard to continue the reforms, and without the reforms, the economy will not develop."

His rather indecisive statement symbolises the problem facing a party attempting to balance the often conflicting demands of communism, populism and economic fundamentalism. So, the reforms needed to make the price of goods representative of the cost of production, are on hold, basically because further changes will inevitably lead to higher inflation in the short-term.

The government has plans to increase rents nationally to make home ownership more attractive, but this policy will also increase the cost of living – at present, rents are only a few yuan per month, which is to be increased 13 times in urban areas, though the new charges will be partly offset by rebates.

Yet it has become difficult for the government to concentrate their minds on the long-term benefits of reform, when, in the short-term, inflation is rising, and the certainty of fixed prices and salaries has been replaced by the uncertainty of the market. While it was inefficient, state control over prices provided a sense of security that ordinary Chinese are having to learn to live without.

If inflation continues to rise and the government is insensitive in introducing reforms of housing and prices, alienation will rise faster than the price of oranges (now in season, and 35 per cent dearer than last year). But if the government loses its nerve for fear of public discontent at needed structural change, then reform's momentum be lost, perhaps, permanently.

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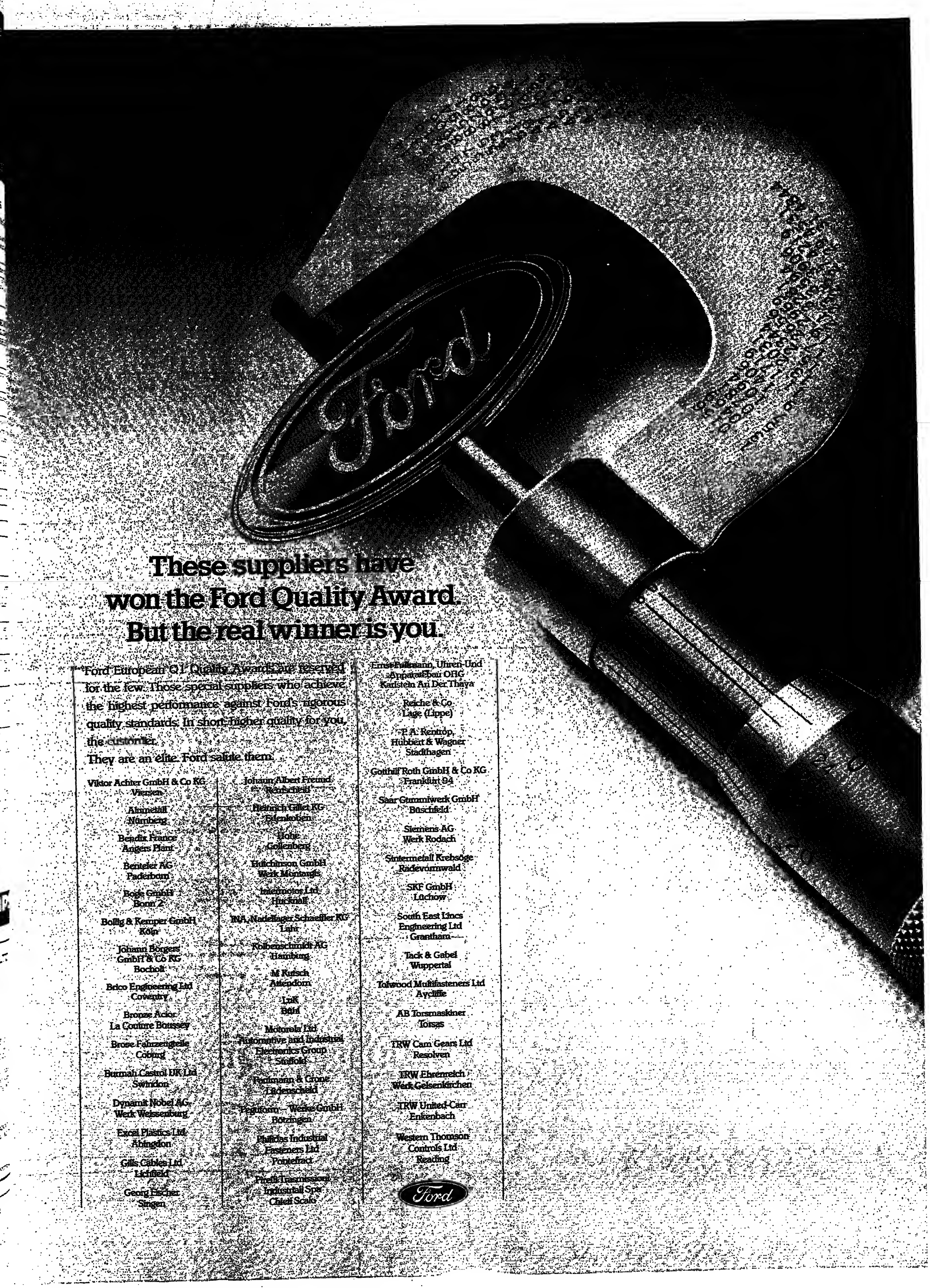
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UK NEWS

UK UNEMPLOYMENT DROPS BELOW RATES IN BELGIUM, FRANCE AND SPAIN

Jobless total dips to six-year low

BY RALPH ATKINS

BRITAIN'S official unemployment total fell to the lowest level for six years in February, but there are signs of a slight deceleration in the pace of decline, according to figures published yesterday.

The Department of Employment said seasonally adjusted unemployment fell 33,400 in February to 2.551m. This was the lowest level since February 1982 and the 19th consecutive monthly fall. Unemployment as the proportion of the working population was 9.1 per cent.

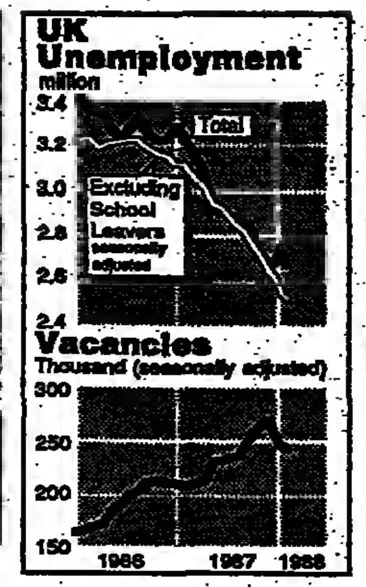
Unadjusted figures for the number claiming benefits at Unemployment Benefit Offices, including school leavers, show a fall in February of 57,000 to 2.665m. This is the lowest level since August 1981, but the comparison does not take account of changes in the method of calculation.

In Tuesday's budget speech, Mr Nigel Lawson, the Chancellor, predicted that unemployment would continue to fall in 1988 but probably not as rapidly as last year.

In the six months to February, the average monthly fall in seasonally adjusted unemployment was 49,000, which Government statisticians believe is close to the underlying trend. In the last three months of last year, the underlying rate of decline was thought to be slightly more than 50,000.

Norman Fowler: opportunities

Other figures published yesterday by the Department of Employment show earnings continue to increase at a rate of about 8½ per cent a year. The Government fears excessive pay increases could threaten future falls in unemployment.



Vacancies at jobcentres, seasonally adjusted, fell by 1,600 to 248,000 in February. In the past three months, vacancies have decreased by an average of 6,800 a month but in February were still 20 per cent higher than the same month a year before.

Mr Norman Fowler, Employment Secretary, said the fall in Britain's unemployment rate is the past year had been faster than in any other industrialised country.

Official figures show that Britain's unemployment rate of about 9 per cent is lower than in France, Spain, Belgium and the Netherlands. However it compares with about 7 per cent in Germany, 6 per cent in the US and about 3 per cent in Japan.

Mr Fowler said job opportunities were good but that "it must be a major priority to improve our adult training system so that more unemployed people can acquire skills to fill the vacancies".

Mr Michael Meacher, Labour's employment spokesman, said the rate of fall in unemployment was slowing even though it remained twice the level of 1979, when Mrs Thatcher became Prime Minister.

"It is a tragedy that the money thrown away on the higher-rate taxpayers in the Budget this week was not spent on job creation," he said.

Official figures for unemployment are reduced by Government employment schemes such as the Community Programme. In the year to January, the latest month for which figures are available, the number on such schemes fell by 29,100 to 365,900. However in the same period the number on the Youth Training Scheme rose

Fall in base rate helps Cabinet to mend fences

By Peter Riddell

MRS MARGARET Thatcher, the Prime Minister, last night claimed that the strong financial and economic position shown by Tuesday's Budget had made possible the reduction in interest rates yesterday which she had publicly resisted last week.

During Commons exchanges, she brushed aside last week's airing of public differences between her and Mr Nigel Lawson, the Chancellor, over exchange rate policy. With Mr Lawson nodding and smiling at her side, she praised the Chancellor's "excellent" Budget speech and claimed that the whole Cabinet was "a big happy family."

Mrs Thatcher said that last week she had ruled out a cut in interest rates "at the present time" and that circumstances had changed as a result of the Budget. She noted the £3bn debt repayment and the strong and prudent fiscal position not fully known until the Budget. Combined with the strength of the exchange rate that had tightened monetary conditions all this had made possible the reduction in interest rates, she added.

Allies of Mr Lawson feel that yesterday's decision reached at an early morning meeting with Mrs Thatcher vindicates his position and helps to reestablish a clear policy after last week's confusing statements. This is in line with Mr Lawson's repeated stress this week on actions being more important than words.

Later, in further debate on the Budget, Mr Neil Kinnock, the Labour leader, said that a Labour government would re-impose a graduated system of income tax bands, although it was impossible to predict what the highest rate would be, yesterday.

Mr Kinnock would not be drawn on the details of the new rates but pledged that the new 40p top rate of tax announced in the budget "would have to go up."

A complete rethink of taxation strategy is now underway within the Labour party as part of its policy review and there have already been indications that the party is considering a significantly lower standard rate of income tax, coupled with a range of higher rates for the better-off.

Details have yet to be worked out but there have been suggestions that the starting point could be as low as 15p, with the highest rate close to the 60p level which has just been scrapped.

Mr Kinnock, in an interview for Thames Television, said that the overwhelming majority of the population were, despite the Chancellor's budget, paying tax at 34p in the pound, including national insurance contributions.

The Labour leader claimed in his pre-recorded interview that the government would not dare cut rates because it had generated such an enormous expansion in credit and debt in order to fund its growth programme.

MPs see too many horrors in chamber

BY JOHN HUNT AND TOM LYNCH

THERE WAS much heart-searching in the House of Commons yesterday over whether the great Westminster soap opera will be suitable viewing for family audiences if the television cameras are allowed into the chamber for the first time later in the year.

Some Tory MPs felt that the whole question of televising the proceedings should be reconsidered in the light of the the "disgraceful" rowdy scenes that accompanied Mr Nigel Lawson's Budget statement this week.

Senior ministers believe that the answer to disruption like that seen on Tuesday lies with the opposition parliamentary managers imposing discipline on their MPs – rather than changes in the procedures of the House such as imposing financial penalties on errant members.

Other Tories went further in arguing that this week's events should force MPs to reconsider the whole question of televising the House.

One Tory MP said said the cameras would exaggerate the "animal excesses" of some MPs.

The cross-party select committee of MPs investigating the practical implications of the televising of the Commons may have to produce an interim report if the experiment is to start on time in November.

An already tight timetable has been put under further pressure by delays in setting up the committee.

GrandMet to adopt retail incentive in pub leasing

BY LISA WOOD

GRAND Metropolitan, whose Watney Mann subsidiary is Britain's fourth largest brewer and owner of public houses, is radically to overhaul the tenancy arrangements in its 3,600 tenanted outlets.

The group is introducing commercial 20-year assignable leases, similar to those found in other retail areas. They will gradually replace traditional tenancy agreements for letting pubs in the UK brewing industry, which generally run for three years or else are turnover related leases of up to 10 years.

GrandMet, which also owns 1,600 managed pubs, recently sold 700 of its smaller pubs for £80m, a move which it said was part of the new strategy as they were not suitable for the leasing arrangements.

Mr John McGrath, chairman and managing director of Grand Metropolitan Brewing, said the new leasing arrangements would provide incentives to entrepreneurial retailers who would have the independence to exploit business opportunities.

The new arrangement, which GrandMet hopes to phase in during the next five years, is symptomatic of the way in which the brewing industry is beginning to look at the optimisation of its retail asset.

Under GrandMet's proposed leases, rents would be assessed on open market values, with some consideration of a continuing tie on beer and cider sales.

GrandMet will relinquish responsibility for the pubs' upkeep, saving it more than £20m a year, but it will give up its share of profits on gambling machines.

Chancellor urges employers to curb wage rises

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE GOVERNMENT yesterday called for greater pay restraint in the wake of the tax cuts announced in the Budget, as official figures showed that average earnings are rising more than twice as fast as inflation.

The Department of Employment said that in the year to January average earnings rose by an underlying 8.5 per cent, compared with an increase in retail prices of just over 3 per cent.

Mr Nigel Lawson, the Chancellor, called the pace of increase "a worry" and said that after this week's income tax cuts there was no need for large pay settlements. "It is very important for businessmen to keep firm control of their pay costs," he said in a radio interview.

However, the Government expects the pay of the top 5 per cent of earners to rise significantly faster than that of those on average earnings over the next few years. Mr Lawson has forecast that the share of income tax paid by highest-income earners will begin to rise again after an initial drop following the sharp cut to 40 per cent in the top rate of income tax.

According to Whitehall economists, that view is based largely on the assumption that the pre-tax earnings of those on high incomes rise faster than the average, as has occurred since 1979.

In that year the top rate of tax was reduced to 60 per cent, but because the pre-tax earnings of the top 5 per cent rose more than twice as fast as average earnings, their share of total income tax payments had increased by 1986.

The implication is that if those on higher incomes heed the Government's call for pay restraint, there is little chance that the cuts in the higher rates will pay for themselves. The gain to the Exchequer from a reduction in the number of tax shelters after the Budget is thought to be relatively small.

Yesterday's figures show that average earnings in manufacturing increased by an underlying 8¾ per cent in the 12 months to January, up from 8½ per cent in the year to December. However, the pace of earnings growth in service industries edged down to 8¼ per cent from 8½ per cent over the same period.

Most of the impact on industry's costs of rapid earnings growth in manufacturing is being offset by almost equally fast growth in productivity. In the three months to January, unit labour costs grew at an annual rate of just 1.3 per cent.

However, the Treasury believes that productivity gains are unlikely to be as great this year as in 1987. Even if earnings growth moderates, it expects unit labour costs to rise by about 2 per cent this year, compared with no increase at all in the costs of Britain's main competitors.

This would compound the loss of competitiveness resulting from sterling's recent appreciation against other leading currencies.

Proposals to liberalise life insurance trade likely

By Nick Bunker

OFFICIALS AT the European Commission hope to produce by the end of this year proposals to liberalise cross-border trade in life insurance. The proposals form part of the run-up to create a free market in financial services by 1992.

The first steps towards freeing the internal life market would probably cover occupational pension schemes and group life policies, said Mr Geoffrey Fitchew, the commission's director-general for financial institutions.

Speaking at a Chartered Insurance Institute conference in London yesterday, Mr Fitchew said commission officials were determined to have draft proposals on life insurance ready by the end of 1988.

It would take longer however to secure agreement from the EC member states to allow the marketing across national boundaries of life insurance for individual customers because governments were anxious to maintain their own consumer protection rules, he said.

Mr Fitchew warned insurers at the conference not to underestimate the speed at which barriers to cross-border trade were being broken down.

Clive Wolman reports on Los Angeles testimony by stockbroker Tony Parnes

Margulies accused of Guinness cover-up

MR EPHRAIM MARGULIES, chairman of S and W Berisford, has been accused of being a party to an attempted cover-up which would disguise the true recipient of a £1.9m payment that was made by Guinness in the aftermath of its takeover battle for Distillers.

Mr Margulies yesterday denied any wrongdoing during or after the battle.

The accusation is made in the testimony of Mr Tony Parnes, the stockbroker who is awaiting extradition proceedings in Los Angeles for alleged offences during and after the takeover battle, to the inspectors appointed by the Trade and Industry Department.

Mr Margulies has given the inspectors an alternative explanation of the events described by Mr Parnes.

The £1.9m was paid to a Geneva-based company called Cifco, which is involved in international trading and is managed by Mr Charles Rosenbaum. Mr Ari (also called Alan) Margulies, the son of Ephraim who is a rabbinical student and active stock market investor, was also linked with Cifco, according to Mr Parnes.

Prior to the Guinness takeover, Mr Parnes said that he had a reasonably close social relationship with Mr Ephraim Margulies, although Mr Margulies's view was that Mr Parnes was tolerated more than welcomed. Mr Parnes's grandfather had helped his father when he first arrived in Britain as a refugee from Hungary.

Mr Parnes introduced Mr Ephraim Margulies to Mr Ernest Saunders, the former Guinness chief executive, and Mr Olivier Roux, the former Guinness finance director, at a meeting in the New Piccadilly Hotel in late March 1986 as the takeover bid for Distillers was approaching its climax.

Mr Parnes claimed that Mr Ephraim Margulies said that he would be happy to support Guinness through the purchase of its shares but he did not like losing. He said that as a result of the discussion he had with Mr Ephraim Margulies, both Berisford Capital and Cifco, through the Swiss bank Rahn and Bodmer, began purchasing Guinness shares. Mr Ari Margulies and Mr Howard Zuckerman, head of Berisford Capital Corporation, a US Berisford subsidiary, were the two individuals who placed the orders, Mr Parnes said.

Mr Ephraim Margulies says that the hotel meeting lasted for only 10 minutes and was held in a public bar. The discussion, he says, was primarily about the attitude of the Office of Fair Trading to takeover bids and not about Berisford's investments in Guinness shares.

He has denied that anyone made a suggestion of any form of indemnity being given if Berisford lost money on its Guinness shareholding. Any such indemnity, agreed in advance, might be a breach of the Companies Act.

His interest, he said yesterday, was to promote joint trading ventures between Berisford and Guinness-Distillers. He also hoped that Guinness might take a similarly friendly share stake in Berisford if it became the target of a hostile takeover bid.

However, in the aftermath of the bid, Mr Roux said in his evidence, which has been presented in the Los Angeles extradition hearing, that Mr Parnes suggested that Mr Ephraim Margulies should be indemnified and given a 20 per cent success fee. He followed Mr Parnes's instructions by splitting the payment between Cifco and Erlanger, a Berisford subsidiary. Mr Parnes said he was subsequently paid a £340,000 fee out of the payment to Cifco.

The inspectors questioned Mr Parnes in detail about the pattern of dealings in Guinness shares by Rahn and Bodmer for Cifco and by Berisford. Cifco bought 1.25m shares and Berisford 2.96m shares during the bid and then both sold the same amount in May 1986 after the bid.

But further tranches of shares were bought through another stockbroker a few days before all the first tranche was sold. The inspectors suggested to Mr Parnes that these transactions were carried out to establish losses, reclaim them from Guinness, but remain a large investor in the company. Mr Parnes said he had no knowledge of such an arrangement.

The key conflict between the testimony of Mr Parnes and Mr Ephraim Margulies concerns a meeting that was held in Mr Parnes's London home in Hampstead on December 10 1986, nine days after the inspectors had launched their inquiry.

According to Mr Parnes, this was one of several discussions between Mr Ephraim Margulies, Mr Zuckerman, and Mr Rosenbaum. Mr Roux was also present.

Mr Parnes, in his testimony to the inspectors, claims that he understood Mr Ephraim Margulies to be suggesting that they should say that the entire £1.9m fee to Cifco was paid to Mr Parnes. But Mr Parnes refused to take the responsibility. He told the inspectors: "I was very, very upset and very, very frightened at the suggestion that he had made."

He said that, although he had originally been told by Mr Ari Margulies that Cifco traded in gold for Berisford and he thought it was connected to Berisford, he no longer knew what kind of entity Cifco was.

When asked by the inspectors exactly what he feared, Mr Parnes replied: "I suppose the fact that they were not going to own up to the situation and that they were trying to make me take over something that was not me; that they were so adamant about and they seemed so capable, somehow larger than life, as I was standing there. I could well have been blowing it out of proportion, but at the time that is what it seemed like to me."

Mr Ephraim Margulies, however, has denied that any such suggestions were made. He said that he became very angry and blamed Mr Roux for getting Berisford unwittingly involved in a highly embarrassing situation. The battery from his hearing aid had lost its strength and so he did not hear all the conversation, he said.

However, Mr Margulies insists that he had nothing whatsoever to do with the purchases by Cifco of the Guinness shares and knew nothing about them. Nor had he any knowledge of the subsequent payment made to Cifco by Guinness. He knew only of the transactions carried out by Mr Zuckerman for Berisford Capital – and even then his knowledge was not detailed.

He says that on December 15, Mr Parnes came once again to his house to attend a Jewish social and charitable function. Mr Parnes pledged a £50,000 charitable donation, he said. This, he says, must be interpreted as an indication that relations between the two men remained good.

Neither Mr Margulies nor Mr Parnes has been able to trace the ultimate beneficial ownership of Cifco.

Business 'dissatisfied with BT service'

BY DAVID THOMAS

MOST MANAGERS employed to meet companies' telecommunications needs are dissatisfied with British Telecom's service, according to a survey published yesterday.

The findings of the survey, by the Telecommunications Managers Association, are particularly damaging for BT because the survey deals with business customers, with whom BT has been making particular efforts since the introduction of competition in the industry.

The association represents nearly 600 telecommunications managers in companies which it says together account for 30 per cent of BT's business revenue. It concluded: "There is little evidence of any improvement since our surveys of 1985 and 1986 and indeed, in some areas, a marked deterioration has occurred."

It added yesterday: "Perhaps most surprising, three years on into liberalisation, is the very clear opinion that BT does not communicate well with its business customers."

A third of the 106 managers answering the survey complained that they did not receive replies when they contacted BT.

On quality of service, the survey found that service dates were specified by BT for only 53 per cent of orders and less than half these were completed on time.

BT said yesterday it took the association's survey most seriously, but it pointed out that the survey was carried out in September at the height of the company's quality of service problems. BT said its service had improved significantly since then.

However, the association found a consistent deterioration over the past three years in some services. In last year's survey it reported 1.53 faults per private circuit a year. In 1986, the figure was 1.39 and in 1985 1.09.

British Telecom's Quality of Service, TMA, 40 Chatsworth Parade, Petts Wood, Orpington, Kent BR5 1RW.

Mitel to shed 60 jobs in Wales as it restructures

BY TERRY DODSWORTH AND JED MARSHALL

MITEL of Canada, the struggling equipment manufacturing affiliate of British Telecom, is to make 60 staff in the UK redundant as part of a wide-ranging reorganisation involving 410 job cuts worldwide.

The company said yesterday that about 200 employees would be made redundant in Canada, along with 150 in the US, where it is closing its Florida plant at Deerfield Beach, and 60 at Caldicot in Gwent, South Wales.

The decision to trim the company's 4,500-strong workforce follows a detailed study launched by Mr John Jarvis, Mitel's chief executive officer.

Mr Jarvis, a former London-based consultant at PA International, was appointed last July with the strong support of BT, which has been unhappy about the performance of Mitel.

The company said the restructuring was aimed at cutting costs to cope with shrinkage in the market for office telephone exchanges (PABXs).

BT acquired its 51 per cent stake in Mitel two years ago when the company was one of the leading independent manufacturers of PABXs.

Since then, however, Mitel has failed to live up to expectations. The company made a C$1.2m (£517,000) profit in its most recent quarter, but it remained in loss for the nine months to last December, when the deficit amounted to C$2.6m on turnover of C$305.4m.

Mitel's reorganisation, which was preceded earlier this week by the departure of Mr Tom Meyer, president of the group's US subsidiary and the executive in control of the office communications division, will include some refocusing of the business.

Mr Jarvis said the company would be seeking to exploit small to medium-sized markets.

Stricter air traffic controls to add to passenger delays

BY LYNTON McLAIN

AIRLINE passengers will face more and longer delays at UK airports this summer than last year.

The increased delays are expected to be inevitable following yesterday's announcement by the Civil Aviation Authority of its proposals for "flow management" of airliners to and from UK airports.

The effect will be to reduce by 10 per cent last summer's peak hourly rates for aircraft movements, when the CAA introduced flow control to limit the number of aircraft taking off and landing at any given time.

The authority said: "Stricter flow management this year will lead to some increases in traffic delays. These averaged 10 minutes to 15 minutes last year."

The effect is likely to be compounded by delays caused by air traffic controls elsewhere in Europe.

Flow management will be introduced on March 28 and will last until the end of October. Air traffic will be restricted from 6am to 10pm each day, a longer period than that last year.

● The Queen is to open the new £250m passenger terminal at Gatwick Airport, London, today.

North Terminal will open to the public on Tuesday, boosting Gatwick's capacity from 18m passengers a year to 25m. However, this is likely to raise questions over the adequacy of the airport's single runway.

Tees oil venture 'could attract £250m backing'

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THE NEW Tees Offshore Base in the former Smith's Dockyard, near Middlesbrough, is likely to attract about £250m of private sector plant and investment if the oil and exploration industry seizes the opportunity the base offers, its backers believe.

The base aims to allow companies to share high technology and eolve marine and eeabed problems in ways which single companies cannot afford.

This partnership is expected to be particularly useful in extracting oil from small or difficult undersea fields and also in seabed mining.

The approach has not been attempted before and eeveral leading offshore companies have already moved in, creating 450 jobs in only three months.

The base will also have a research and development facility which will be established in one of the yard's dry docks. It is expected to be used in the design of submersible craft, as well as equipment which needs to be handled underwater.

The base's main backers, the Teesside Development Corporation and the Tees and Hartlepool Port Authority, are not setting targets for investment, but £250m is understood to be attainable.

They presented a progress report to leading companies in the oil and exploration industries in London yesterday and were applauded warmly.

Mr Peter Morrison, Energy Minister, promised "every possible snpport from the Government," although be stressed later that this would be moral rather than monetary.

Mr Morrison was the industry minister wbo approvsd British Shipbuilders' plans to close down Smith's Dockyard in February last year.

Companies already involved in the base inclnde tha Andreas Ugland Group, the Norwegian offshore specialist, British Telecom Marine, Marathon Oil UK and Tees Dockyard.

Negotiations are advanced with two engineering companies and a French manufacturer of undersea equipment.

The venture is being run by Northern Ocean Services, which specialises in design, engineering and technical project management. Mr Charles Tompkins, managing director, was responsible for the design and construction of the floating port and harbour at Port Stanley, wblch handled high levels of military traffic after the Falklands conflict.

Mr Tompkins said companies could have a trial run at the base and that no competitors would be offered facilities during the trial.

"We intend to attract both UK and European companies, drawing on the broadest base of expertise in the North Sea," he said.

India says Channon visit cannot go ahead

By John Elliott in New Delhi

A WEEK-LONG visit to India by Mr Paul Channon, Transport Secretary, which should have started yesterday, has been stopped by the Indian Government.

India says its ministers are preoccupied with urgent parliamentary business.

However, the decision is believed to have been made by Mr Rajiv Gandhi, the Prime Minister, who is angry about a BBC Panorama television programme on India two months ago.

He and Mr Madhavrao Scindia, Minister of State for Railways, who is also heir to the now defunct royal line of Maharajahs of Gwalior, are both upset by the way they wers treated in the programme.

Mr Scindia is involved in the progress of his annual railway budget through parliament.

Mr Channon had planned a series of meetings with senior Indian ministers and civil servants to discuss railway, aviation and other contracts at a time when the UK's annual allocation of aid to India has dropped sharply because of a dearth of new contracts.

The news that Mr Channon's visit would have to be put off was given to the British Government at the end of last week, without prior warning, by the Indian External Affairs Ministry.

House insurance rate to rise

BY ERIC SHORT

HOMEOWNERS face the prospect of a 10 per cent rise in the rate used to calculate the cost of insuring the buildings in which they live.

Legal and General confirmed yesterday that it was increasing from £1.80 to £2 its rate per £1,000 of the sum insured. The sum insured is the cost of rebuilding the house.

The group, a leading insurer of house structures in the building society market, was announcing its results for last year.

The increase will take place at the beginning of May or the beginning of June. Final details are being arranged with the building societies.

The insurance rate for house buildings had been the same for decades, at £1.50 per £1,000, until three years ago. However,the cost of insuring a house rose each year to allow for inflation. The sums insured are automatically increased in line witb the rebuilding cost index published by the Royal Institution of Chartered Surveyors.

Since 1985 the insurance rates have increased progressively to £1.80 per £1,000 to reflect the increasing cost of claims.

The insurance market has been discussing a further rate rise almost since the previous increase two years ago. Expectations that a rise was inevitable have grown since October's hurricane.

Legal and General give the hurricane as the main reason for the latest increase in rates. It cost the gronp £60m gross – £42m after allowing for reinsurance.

In the past decade insurance companies in Britain have been hit by a series of severe winters and other natural disasters with claims costs rising progressively.

Domestic property accounts, excluding the hurricane damage, were sound last year on a £1.80 rate, but underwriters claim there were no margins to build up reserves to meet the next natural disaster – hence the need for a further rate rise.

Sun Alliance Group, the largest building society insurer, yesterday confirmed that it would be increasing its house structures rate to £2.00 per £1,000 from the beginning of June.

Royal Insurance, ths second largest building society insurer, said it was still reviewing the position. It is widely expected that it will increase its rate in the summer.

Most other big insurance groups, such as General Accident and Guardian Royal Exchange, admit to planning a similar rate increase, but have yet to decide on the timing for the change.

Dismay over housing's 'low profile'

BY RICHARD EVANS

THE GOVERNMENT was accused yesterday of having no further interest in sponsoring housing improvements, following the Budget announcement that tax relief on home improvement loans is to be withdrawn.

Mr William Waldegrave, Housing Minister, was told at the National Home Improvement Council's annual lunch in London that there was "great dismay" at the Budget decision, which seemed to signal a change in attitude.

Lord Ezra, president of the council, said he was disappointed thet housing eeemed to have such a low profile, when improving homes not only improved living conditions but also provided jobs and made a positive contribution to rundown city areas.

Mr Waldegrave agreed that much good work had been done with mortgage relief, but said there had been too much direct spending that had nothing to do with home improvements.

He said the Government fully intended to support the maintenance of housing stock. The proposed new grant system would not come into effect until April 1990 at the earliest, he said, so interim steps were needed to further the Government's aim of targeting grants to the worst properties and to those least abla to afford the costs of essential repairs and improvements.

"As a first step, we propose to raise the eligible expense limit for existing grants by between 15 and 30 per cent. This will ensure that the amount of work eligible for grant will reflect more fully what needs to be done to bring a property up to standard," he said.

The categories of improvement grant payable at the priority rate would also be adjusted and there would be an increase in the limit on expenditure incurred on environmental works in housing action areas and in general improvement areas to £600 a dwelling.

Research into health effects of electricity in home to increase

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN'S electricity supply industry is doubling to £1m this year's budget for research into the health effects of electricity, particularly in and around the home and at the workplace.

Announcing the move yesterday, the Central Electricity Generating Board said its research would aim to fill a gap in previous studies made in Britain, continental Europe and the US into the possible health risks.

New technology for conveniently and accurately measuring magnstic and electrical fields associated with mains electricity, rather than any serious worries about risks, were the reason for increasing research, said Mr Peter Chester, CEGB environment director.

The CEGB estimates that the UK industry has spent about £3.5m investigating Soviet reports in the late 1970s that electricity workers suffered health effects including lethargy and loss of sex drive.

Mr Chester said research so far had produced "several suggestive but inconclusive reeults," for example, associating electricity with cancer.

Scientifically, such associstions were being treated with caution because of the difficulty of measuring a person's actual exposure to electrical and magnetic fields.

The fields produced by the use of electricity in the home are very weak compared with the natural background of magnetism from the eartb itself, and they alternate with the power supply, where the background is a steady magnetic field.

The studies will use a personal monitor, developed by a Canadian company, which will be worn for several days by people as they go abont their everyday activities. The CEGB plans to use electricity industry employees initially.

The CEGB's research centre at Leatherhead, Surrey, has developed a way of translating the data from the monitors into s convenient form for analysis, which will be carried out by university medical statisticians. It has also developed a van that can make field measurements on specific homes.

Dr Robin Cox, the CEGB's chief medical officer, stressed that at present interest lay in the home and workplace, using relatively low voltages, and not with the high-voltage overhead transmission cables.

Previous studies had failed to establish any connection between overhead transmission and childhood leukaemia, Dr Cox said. But recent studies had suggested a "very weak association" between childhood leukaemia and electricity in the home.

The scientific weakness of these studies lay in the fact that exposures had been only estimates and not reliable measurements.

Privatisation plan 'may not be competitive enough'

BY MAX WILKINSON, RESOURCES EDITOR

THE GOVERNMENT'S proposals for privatising the electricity system give the appearance of a competitive structure which may prove to be an illusion, says a report pnblished today by the free-market Institute of Economic Affairs.

The report, by Professor Colin Robinson, of the University of Surrey, says that the structure announced by Mr Cecil Parkinson, the Energy Secretary, last month is likely to put s huge burden on to the regulatory body which will be needed to supervise the industry.

The regulatory body, says Professor Robinson, may become the most powerful figure in ths industry. Or, on the other hand, it may be "captured" and enfeebled by industry pressures.

"Neither situation represents a clear improvement as compared with continued nationalisation," he says.

Under Mr Parkinson's scheme, the 12 area boards in England and Wales are to be privatised as separate distribution companies.

They will jointly own the national transmission grid, which is to be removed from the control of the Central Electricity Generating Board. The board's power stations will then be split into two groups. The larger, owning all the nuclear plant, will have about 70 per cent of total capacity.

Prof Robinson says that in England and Wales, the two generating companies will have strong incentives to collude, and may not therefore provide effective competition.

He says that the Government tacitly recognised this in its white paper on electricity privatisation last month. This said that the generating part of the industry would have to be subject to regulation.

He also believes that the two generating companies in England and Wales will be so large and diversified that they will be able to freeze ont competition from companies which might want to enter the market.

Prof Robinson argues that the power stations should bs split between four or five separate companies with an independent grid to enable them all to compete for market share.

He gives a warning thet the decision to place the distribution companies in charge of the grid will give them all the parts of the industry which are natural monopolies: the national grid, the area distribution grids, and captive customers.

This makes it highly important, he says, that the regulator should have strong powers. But he adds: "The prospect of heavy regulation undsr an untried regime will make it sxtremely hard to sell shares in the industry."

Competition in Electricity? by Colin Robinson, Professor of Economics, University of Surrey, Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB.

British Coal and SSEB to meet

By James Buxton, Scottish Correspondent

SENIOR executives from British Coal and the South of Scotland Electricity Board are expected to meet in London today for their first encounter since a row between them erupted more than six weeks ago over the price of coal.

The talks may be little more than preliminary discussions to set an agenda, but could pave the way for more substantial negotiations. The SSEB last week said it would only negotiate with British Coal subject to strict conditions, but it appears they are not insisting on this.

The meeting is to be held at a secret location in an effort by both sides to take the issue out of the public eye. In recent weeks, British Coal and the SSEB have communicated largely through press conferences and public statements.

The SSEB has ordered 1m tonnes of foreign coal and refused to take any more British Coal supplies unless the cost is reduced substantially.

British Coal has been granted an interim interdict, or injunction, which prevents the SSEB from burning coal from outside sources at its two major coal-burning power plants.

Last week, following pressure on both sides from ministers to heal the dispute, the SSEB offered to continue to take supplies from British Coal for three months from April 1, provided British Coal had the interdict lifted and made an immediate price reduction. There has been no sign of British Coal making concessions on these points.

Scottish power plan criticised

By Our Scottish Correspondent

CRITICISMS OF government plans to privatise the Scottish electricity industry were made yesterday by the Scottish Council Development and Industry, the widely representative body which promotes industry.

Earlier this month, Mr Malcolm Rifkind, the Scottish Secretary, unveiled government plans to privatise the two Scottish electricity boards.

The Scottish Council said yesterday that it was alarmed that the proposals for a "wholesale reconstruction" of the industry would disrupt its efficiency and lead to higher costs for consumers. It criticises the Government's proposal to abandon the joint generating agreement which currently operates between the South of Scotland Electricity Board and the North of Scotland Hydro-Electric Board, under which power is generated according to a single power station merit order.

It also says that the Government should keep control of the SSEB'a nuclear stations and lease them to the SSEB's successor company. It says that there is no case for disrupting the SSEB's anccessful management of nuclear power, and argues that there is little enthusiasm among private investors for owning or developing nuclear power.

The Scottish Council also wants to know what the Government plans to do to ensure that control of the two electricity companies stays in Scottisb hands after privatisation. This question is not dealt with in the white paper.

National strike ballot urged by P&O seamen

BY JIMMY BURNS, LABOUR STAFF

SENIOR shop stewards of the National Union of Seamen yesterday called on the union's leadership to ballot the membership on a national strike over the P&O dispute.

The move was immediately condemned by shipowners, who warned that they would not hesitate to take legal action against the union if the strike went ahead.

The General Council of British Shipping said: "Any action in support of the dispute taken by those not employed by P&O is illegal."

Earlier NUS officials had predicted that yesterday's meeting of shop stewards would stop short of calling for a national strike because the union could not afford to risk fighting another potentially damaging High Court action.

But the decision to step up industrial action appears to reflect the growing militancy of the seamen as the P&O strike entered its sixth week. It was taken as more than 2,000 Dover-based seamen received dismissal notices from the company and offers of re-employment under radically altered pay and work conditions.

Mr Peter Ford, P&O European Ferries Chairman, last night described the new contracts as an attempt to put an industry that "has grown up through a series of crisises" on a more comprehensive and stable footing.

Mr. Philip Hutchinson, a Dover-based shop steward, said the contracts "read like a bad nightmare."

The contracts replace seamen's basic salary structure and up to 24 additional items of bonus pay, by a single consolidated salary based on overtime and profit-sharing. salaries will be paid monthly rather than weekly as at present.

They also involve flexible rostering, and far greater management control on the granting of annual leave and the setting of meal times. All three areas were previously subject to considerable consultation with union representatives.

Mr Ford said: "We have looked very carefully at our proposals and we are satisfied that they are totally safe."

However, the NUS claimed last night that the contracts would pressurise seamen into working longer hours with no additional pay and would undermine safety.

George Graham adds from Paris: French maritime unions have called for an all-out strike starting today on cross-Channel ferries run by the French national railway SNCF over a proposed change in crew rostering arrangements and permanent staff being replaced by seasonal labour.

Race bias kept doctor out of job

By Raymond Hughes

A DOCTOR from Sri Lanka was denied employment as a consultant micro-biologist because of racial discrimination by a regional health authority, the Court of Appeal ruled yesterday.

Lord Justice May said that it was remarkable that, despite her superior qualifications and experience, Dr Malila Noone, who had been shortlisted with two English candidates, had been placed third by all members of the authority's appointments committee.

The appeal court restored an industrial tribunal's decision that the North West Thames Regional Health Authority had been guilty of unlawful racial discrimination in failing to offer Dr Noone the appointment at the Ashford Hospital.

However, the court reduced from £5,000 to £3,000 the compensation the tribunal had awarded her.

The tribunal's decision had been overturned by the Employment Appeal Tribunal, which had held that there was no evidence to justify an inference that the discrimination had been racial.

Lord Justice May said that the industrial tribunal had held that Dr Noone's interview by the appointments committee had been "little more than a sham" at which the "golden opinions" of three professional colleagues — one with a world reputation - had been disregarded.

Clarify equal pay act, say judges

RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THREE Court of Appeal judges yesterday called for the 1970 Equal Pay Act to be improved and clarified as they dismissed a claim by a council nurse for pay parity with male workers.

Lord Justice May said that the act was concerned with terms and conditions of work of employees "and should be drafted with that clarity which would enable both sides to a contract of employment to know without difficulty what their rights are."

His plea was echoed by Lord Justice Balcombe, while Lord Justice Stocker added that clarification was also needed so that the task of those who had to construe the Act "should not be rendered unnecessarily difficult."

The three judges had dismissed a claim by Mrs Marion Leverton, a nursery nurse employed by Clwyd county council, for parity with 11 male council workers.

Mrs Leverton, a nursery nurse at an infants' school, worked a 32-hour week — only during school terms — and was paid £5,058 a year. She argued that her work was of equal value to that of the 11 men, who worked a 37- or 39-hour week, had less holiday and whose salaries averaged £6,081.

The industrial tribunal held that the difference in hours and holidays was such that it was unrealistic to say that Mrs Leverton and the 11 men had "common terms and conditions of employment". They were therefore not "in the same employment" under section 1(6) of the Act.

The industrial tribunal also accepted Clwyd's argument under section 1(3) that the salary difference was genuinely due to "a material factor which is not the difference of sex" — the different hours and holidays.

The Employment Appeal Tribunal agreed that Mrs Leverton and the 11 men were not "in the same employment", but held that there was no evidence that the salary difference was genuinely due to the "material factor" of hours and holidays.

In the appeal court Lord Justice May disagreed with both tribunals on the "same employment" point. He said that the mere fact that Mrs Leverton worked fewer hours and had longer holidays than the 11 men did not necessarily mean that they could not have common terms and conditions and thus be in the same employment.

However, he agreed with the industrial tribunal that the hours and holidays were a material factor justifying a pay difference and dismissed Mrs Leverton's appeal on that basis.

Mrs Leverton was given leave to appeal to the Law Lords.

AN "active campaigner for improvements in health services" complained in the High Court yesterday that she was unjustly removed from her post on the City and Hackney District Health Authority without being told the reasons.

The court was asked to quash a decision of the North East Thames Regional Health Authority last July not to re-appoint Ms Lucy de Groot for a second term of office after more than three years of service. The hearing continues.

Philip Bassett on the loss of the Dundee project

Ford decision teaches British trade unions a harsh lesson

FORD OF America's decision to pull out of its planned £40m electronics plant in Dundee is a serious blow to job prospects in the area and will be seen by many as a savage indictment of British trade unions.

Dundee's unemployed – the jobless rate in the area is 14.5 per cent – local councils, and union officials are unlikely to forgive lightly the national leadership of the trade unions which they will see as the main reason for Ford's decision.

They have considerable cause. Two aspects of union behaviour in recent weeks appear to have contributed considerably to that decision.

The first was the two-week strike by Ford UK's manual workers over pay. To the company's surprise, the strike was extensively supported and nearly immediately had a great effect not just on Ford's UK operations but on its highly-interlinked European plants.

A large part of Ford of America's rationale for its single-union agreement with the AEU engineering union for the proposed Dundee plant was that it would not in any way be linked with Ford UK's structure. However,the pay strike clearly indicated to Ford managers in Detroit that, after a decade of relative quiet, its British labour force was ready and willing to take industrial action.

Several of the other car-industry unions, which would have been excluded from Dundee by the AEU's single union deal, had warned that they would boycott the plant's products. In the wake of the pay strike the company probably took these warnings much more seriously than they would have done before.

The unions' collective inability to resolve their arguments over the AEU's Dundee deal was the second of the considerations which must have swayed Ford. There were meetings at the TUC's London headquarters between the general secretaries and national officials of the AEU, and the unions which opposed the agreement: the TGWU transport workers, the MSF general technical union and the GMB.

Mr Norman Willis, TUC general secretary, recently flew to Detroit to try to persuade the company against withdrawal. Mr Campbell Christie, the general secretary of the STUC said last night that the unions were close to putting new proposals

But after five months of wrangling, it seems the company had concluded little if anything had changed in the unions' camp since its announced its plans for Dundee last October.

Then, the non-AEU unions – the TGWU and the MSF – shouted their opposition to the AEU's deal, and immediately reported it for settlement by the TUC's Bridlington inter-union disputes procedures.

From the start, the AEU refused to budge. It claimed Ford of America would not sanction any other form of union agreement once it had made its decision. The other unions believed that the AEU's Dundee deal threatened recognition, bargaining and employment arrangements throughout Ford UK.

The other unions argued the company had plumped for Dundee for financial reasons. Union agreements were really just e detail, so the unions could take their time and slowly they would call the company's bluff. As one national officer put it last week: "It is a game of cat and mouse."

During Mr Willis' American mission last week, Ford upped the ante, and made it clear it wanted a resolution of the unions' internal differences –

In spite of the clear urgency in Ford's message, the TUC failed to move with the required rapidity: the disputes committee hearing of the issue was not even scheduled until after next week's proposed TUC-STUC meeting. Yesterday's developments make it painfully clear that this was not soon enough for Ford.

Ford's abandonment of Dundee could not point up more clearly that the TUC's current provisions for resolving inter-union agreements over single-union deals are inadequate

Accordingly, the Ford decision is likely to be used by some union leaders as evidence of the urgent need for the TUC to adopt next month a more sophisticated procedure.

Dundee was essentially a problem for unions as institutions, not one likely to arouse strong feelings among the workforce. But it looks likely to be a long time before the unions will be able to live down the opprobrium Ford's withdrawal from Dundee will bring them.

Racial equality reports attack local authorities

BY JIMMY BURNS

SHORTCOMINGS in the policies of local authorities aimed at eliminating sexual and racial inequalities are revealed in two reports published yesterday by the Equal Opportunities Commission.

According to one report, only half of the 514 local authorities in the country had equal opportunities policies, and there was considerable variation in the extent to which each had put these into practice.

Thus although two-thirds of those surveyed described themselves as equal opportunities employers in their job advertisements, less than half of those with a policy actually trained their employees on how to avoid sex discrimination.

Moreover, less than one-third of local authorities – which are a major source of employment for women – had an equal opportunities committee and only a quarter employed an officer specifically to deal with it.

A separate report based on detailed case studies in six local authorities found "considerable concern" about the way in which equal opportunities initiatives had failed to reflect the particular needs and interests of black women.

It also found that the interests of women manual and low-paid workers were relatively neglected in some of the initiatives.

Local government equal opportunities officers interviewed for the survey identified trade unions as a potential source of support for their work.

However, according to the report, active union involvement in pushing for an equal opportunities initiative seemed to be the "exception rather than the rule."

On the whole relationships between local authorities and white-collar unions had been better developed. However, in the case of manual unions much of their suspicion of equal opportunities work was "simple prejudice."

Local Authority Equal Opportunities Policies: Report of a Survey by the EOC; Developing Effective Strategies for the Implementation of Policies for Women; EOC, Overseas House, Quay Street, Manchester M3 3HN.

Strike threatens Jaguar

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

JAGUAR assembly workers are expected to strike today in protest at about 300 of them being laid off without pay because of a shortage of engines earlier this week.

Engines were in short supply following a 24-hour strike on Tuesday at the company's engine plant. Under current agreements, the 1,000 assembly workers were not entitled to pay because their lay-off resulted from a strike within the company.

Jaguar said it was surprised at the proposed action, but it expected the workers back on Monday.

At Land Rover, the number of manual workers crossing the picket lines rose to 100 yesterday as 10 more of the 6,000 striking employees joined 90 who have so far returned to work.

The strike is nearing the end of its fourth week with management and unions still at loggerheads over a pay offer which Land Rover says is worth 14 per cent over two years.

In another development yesterday, Land Rover said about 300 production jobs could be at risk if Freight Rover, which buys its gearboxes from Land Rover and is running short of stocks, resourced to another supplier.

Freight Rover – once part of Land Rover but now the van-making subsidiary of Leyland Daf – takes a third of all Land Rover's gearbox production for installation in its Sherpa vans.

UK NEWS

West Germans 'increase their lead in technology'

BY PETER MARSH

WEST GERMAN companies have increased their lead on British industry in technological performance, according to a new study.

In 33 industrial sectors studied by the Science Policy Research Unit at Sussex University, UK companies have in recent years made up technological ground on West German concerns in only two areas: drugs and photography and photocopying.

In all other sectors, British companies' innovatory performance, measured according to US patent statistics, has declined relative to their German counterparts.

The UK downturn was especially marked in the fields of nuclear reactors, semiconductors and computers. However, the UK position improved in food and tobacco, agricultural chemicals and mining equipment.

The study shows that in areas of industry affected by especially fast-moving technological change, for instance, in factory assembly and materials handling, German companies performed better than UK concerns.

The report bases its conclusions on an analysis of inventions patented in the US by UK and German concerns during the periods 1963-68 and 1981-86.

According to the report, there is a strong correlation between trading performance in specific industries and their level of patenting activity.

Britain has had a good commercial record in recent years in areas like drugs and aircraft, in which technological performance has been relatively strong, and has done poorly in the fields of motor vehicles and electronics, where levels of innovation have been low.

Meanwhile, Germany has performed well commercially in areas like machinery and vehicle engineering, boosting the number of its US patents.

The study points out that twice as much money is spent on company-funded research and development in Germany as in Britain.

The report says a further explanation for the different records of the two countries may be that in Germany the leading high-technology companies account for a greater proportion of patenting activity than in the UK. This concentration of resources may lead to better results in commercial terms than in the more diffuse spread of patenting in Britain.

According to the study, the top five companies in terms of patenting between 1969 and 1986 accounted for 29 per cent of all US patents in the case of Germany, while the figure for Britain was only 19 per cent.

The top five concerns in Germany throughout this period were Bayer, Siemens, Hoechst, BASF and Bosch. Those for Britain were Imperial Chemical Industries, Lucas, General Electric Company, ITT and the government-owned National Research Development Corporation.

Technological Activities in the Federal Republic of Germany and the UK, by Pari Patel and Keith Pavitt. Science Policy Research Unit, Sussex University, Falmer, Sussex BN1 9RF.

Capital expenditure greater than thought

By Simon Holberton

THE GOVERNMENT has revised upwards its estimates of British industry's capital expenditure in the fourth quarter of last year and it now appears that investment in manufacturing rose by 3.7 per cent, the Department of Trade and Industry said yesterday.

In Tuesday's Budget the Treasury forecast that manufacturing investment would grow by 3½ per cent in 1987 and by a further 11½ per cent this year. Total investment is expected to rise significantly and be one of the main contributors to economic growth.

If the volume of manufacturing investment were to grow as predicted, it would surpass the 1979 level – the highest recorded. This surge in investment would underpin the transformation seen in British industry over the past few years. Higher investment in productive capacity would help allay fears of the economy overheating as higher domestic demand could be met by domestic production, not imports.

The DTI said the total volume of investment, in seasonally-adjusted and constant price terms, rose by 9 per cent during 1987 to £20,728m – its highest recorded level.

In aggregate, investment in manufacturing, including leasing, was estimated at £7,410m, compared with £7,145m in 1986. Investment in the construction, distribution and financial industries was estimated at £13,318m, compared with £11,890m the previous year.

THE Government's seasonally-adjusted unemployment total fell by 33,400 to 2.531m in February – the 19th consecutive monthly fall, writes Ralph Atkins.

The total is based on records of claimants at unemployment benefit offices and represents 9.1 per cent of the working population. It is the lowest total since February 1982.

Since its 1986 peak, unemployment has fallen 679,000, with falls registered in all regions. During this period, the largest decreases in the unemployment rate have been in the West Midlands, north-west England, the north of England and Wales.

However striking regional disparities remain: in February the proportion of the working population without a job in East Anglia was a seasonally-adjusted 5.8 per cent. That compared with 13.1 per cent in the north of England and 17.2 per cent in Northern Ireland.

Rethink urged on business entertaining concessions

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE BRITISH Exporters Association has asked the Chancellor to reconsider his plan to withdraw tax concessions on business entertaining of overseas customers, because the proposal would have "quite serious implications" for small and medium-sized businesses.

In a letter to Mr Lawson, the association said entertaining was an integral part of the overseas marketing effort and an "absolute pre-requisite" in many parts of the world such as the Middle East and Japan.

In a scarcely-veiled reference to this week's visit to Tokyo by Lord Young, Trade and Industry Secretary, it said post-negotiation entertaining was of great importance to the Japanese.

Mr Ian Campbell, the association's chairman, said: "British exporters are not looking for subsidies, but we do expect treatment from Government that enables us to compete in the international marketplace."

Yorkshire TV picks Fox's replacement

BY RAYMOND SNODDY

YORKSHIRE TELEVISION, one of the big five ITV network companies, has moved quickly to replace its managing director, Mr Paul Fox, who announced last week that he was moving to the BBC.

A board meeting of Yorkshire Television Holdings on Tuesday night unanimously chose Mr Clive Leach, the company's sales and marketing director, to be managing director of Yorkshire Television. The appointment of Mr Leach, who is 52 and who has worked in commercial television since 1964, takes immediate effect.

Mr Leach was considered favourite for the job because of the obvious advantage of having commercial and marketing skills in the run-up to franchise auctions in 1992 and the growing competition from cable and satellite television.

The new managing director, who said he would be emphasising cost control, cost-effective production and quality, has been responsible in recent years for building up Yorkshire Television Enterprises, which handles international programme sales.

Johnson Matthey to close plant

By Kenneth Gooding, Mining Correspondent

JOHNSON MATTHEY, the precious metals processing and marketing group, is to close a production site in Britain and expand one in Italy as part of a £5m reorganisation of its European brazing materials business.

The company's site at Harlow, Essex, will close in about a year, affecting 250 employees. Johnson Matthey says that about 50 will be offered transfers to a new British sales and technical support facility at Royston, Hertfordshire. Many of the other employees are expected to apply for voluntary redundancy or early retirement.

The group's manufacturing operation in Milan, Italy, would be expanded and updated to make it "one of the most advanced of its kind in Europe," said Johnson Matthey.

The expansion will create about 40 new jobs at a site where 400 are employed, but where only 35 are involved in the production of brazing materials (in Johnson Matthey's case this is silver brazing alloy, or solder).

Mr Gordon Thorburn, the group's administration director, said Milan was chosen because it was more efficient. Its unit costs were lower, the processes had been kept more up to date and it used less working capital. "This is no reflection on the people who work the machines at Harlow – the Italian operations have been better managed."

He added that the changes were an important step in the development of Johnson Matthey's European operations and were aimed at strengthening the company's position as a leading supplier of top-quality metal joining materials.

A compoter system will link the company's 12 European stockholding operations which should benefit customers and enable Johnson Matthey to tie up less capital in expensive inventories – a lot of silver is used in the brazing materials it produces.

Johnson Matthey has started a big research and development programme for joining materials.

Leeds Permanent appoints adviser on incorporation

By David Barchard

THE LEEDS PERMANENT Building Society, Britain's fifth largest building society with assets of £8.4m, yesterday announced that it had appointed Hambros Bank to advise on possible incorporation as a bank.

The announcement by the Leeds follows similar moves by the Halifax and the National and Provincial building societies in January.

At least six building societies are known to be considering shedding their mutual status and several are believed to have appointed merchant banks as advisers without making the fact public.

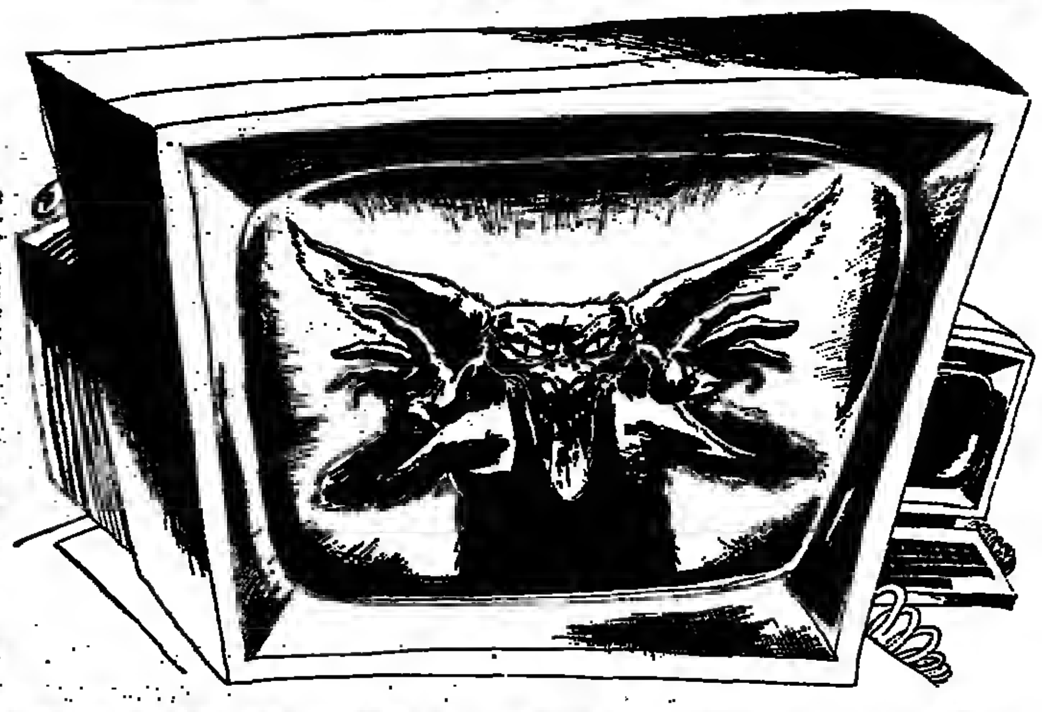
Mr Mike Blackburn, chief executive at the Leeds Permanent, said yesterday that the society was examining all the options open to it.

He said it would be some time before a decision was made.

TECHNOLOGY

Computer gremlins bent on mischief

Louise Kehoe in San Francisco examines the growing phenomenon of software viruses



NOBODY is immune from computer viruses. Governments, universities, major corporations and individual home computer-owners have all been hit by various strains of this insidious plague.

Computers that link into public computer networks are, however, particularly vulnerable. In the US there have been several reported cases of viruses spread through the "bulletin board" compnter commnnications systems that many computer hobbyists access.

Rogue programs or data files containing viruses can be fed into the system either accidentally, by an unknowing employee, or deliberately by somebody intent upon disrupting the operations of a corporation. Hidden within an innocent looking game program or sent by way of an electronic mail message, viruses can be introduced into the memory of a computer. It is virtually impossible to detect their presence until they begin to affect the machine's performance.

For corporate computer networks, with hundreds, sometimes thousands of people tapping into a system, program security is a major problem, experts say.

Among the most difficult computer systems to protect are those that regularly accept messages and data files from remote terminals. The computers of newspapers, wire services and corporate electronic mail systems are obvious examples.

Still more worrying, in terms of public safety, is the possibility that a computer virus, or "bomb" program could infect the extensive computer networks of government agencies.

A rash of computer virus attacks in recent months has heightened fears of an epidemic. Already, several major corporations have taken steps to try to protect themselves. "They have been frightened by reports of computer crimes and they know that they are vulnerable," says Don Parker, a computer security consultant at SRI International.

Networks of large companies are among those at greatest risk

Quantifying the computer virus problem is, however, impossible, says Parker. "There are no valid statistics available," he explains.

SRI has recorded 20-30 serious incidents of "software crimes" over the past 15 years, but many, perhaps most, victims of computer viruses prefer not to talk about their problems. Businesses do not want to reveal their vulnerability and other computer users are afraid that they will be ostracised by network users afraid of "catching" the virus.

Nevertheless, three serious virus attacks have recently come to light. One of the most serious occurred in Israel late last year when a computer virus containing a "time bomb" set to destroy data files was used in an apparent political protest. The virus infected several computers at the Hebrew University in Jerusalem and may have spread into commercial computing systems. This has caused widespread panic among computer users, according to Israeli reports.

The virus was detected when computer programs began to overflow their memory disks for no apparent reason. The virus was spreading and replicating itself hundreds of times, expanding the size of program files.

Although programs designed to "kill" the virus have been widely circulated, there is still some concern that the time bomb, set for Friday, May 13, may go off and destroy valuable data.

The Israeli virus provides a frightening demonstration of the potential for "computer terrorism". Security experts fear that computer data could be "held hostage" by a virus program, or that critical data might be altered to create economic turmoil.

To date most computer viruses seem to have been the result of pranks, rather than malicious threats. Still, they can cause major problems for their victims. At Lehigh University in Bethlehem, Pennsylvania, for example, a virus destroyed hundreds of program disks and erased the files of many student and faculty users of the University's computer laboratories.

The virus was discovered last November, when an unusually high number of "faulty" program disks were returned to the computer lab libraries. Student consultants discovered that system files on the disks, which would normally not be changed, had been tampered with.

It took just one night to create a program that destroyed the virus, recalls Kenneth VanWyk, a computer user consultant at the university, but the damage had already been done. Avoiding a recurrence of the problem is difficult because most university computer labs are open to large numbers of students.

It is nearly impossible to detect rogue programs

Several other North Eastern US universities have also had problems with viruses, though none as destructive as the one at Lehigh. The neighbouring University of Pennsylvania, for example, has seen several viruses that change file names or fill up the high capacity "hard disks" used on many personal computers.

There is a great deal of concern about computer viruses within the academic community.

So far, nobody has been able to pin down where the viruses affecting the universities are coming from although many suspect that student "hackers" may be responsible. Most of these viruses are "hacker macho" says one university official. "These are kids who want to prove that they can beat the computer systems."

Even "hacker attacks" can, however, have serious consequences when they affect business computer systems. The hub of IBM's electronic mail system in Florida was temporarily crippled by a virus attack just before Christmas.

While this virus was apparently not supposed to cause damage, it overloaded the computer system with a Christmas card message that replicated itself over and over. The cost of tracing and eliminating the virus was significant, says SRI's Don Parker.

In other recent virus incidents, personal computer user groups in Australia, California and Florida have reported infections ranging from "Peace and Goodwill" messages that flash, uninvited, on a computer screen, to programs that destroy any other program or data disk run on an affected machine.

Computer security experts differ over whether the computer virus phenomenon is a passing fad or the beginning of a major problem. "On the one hand, some of us think that the issue will fade away as soon as the news media gets tired of it," says Don Parker. "It is difficult, tedious and dangerous to create computer viruses," he points out. "There are easier ways to create trouble if that is what somebody wants to do."

Parker acknowledges, however, that other experts fear that viruses could spread, destroying the concept of "public domain" software because computer users will become afraid to run programs that they cannot be sure do not contain viruses.

There is also growing concern that a virus could be used to ransom a computer software publisher. In the same way that even the threat of contamination forces food companies to withdraw their products, software publishers could be ruined, SRI researchers fear.

It is virtually impossible to protect a computer from viruses with absolute certainty. Several measures can, however, significantly reduce the risk. For the personal computer user, the most important thing is to avoid using programs of unknown origin.

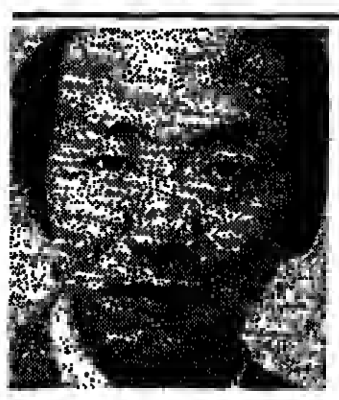
For corporate computer network managers, the problem is more complex. "We are advising our clients to take action to assure the trustworthiness of individuals who write software for them, and to be sure that programs purchased 'off the shelf' come in wrappings that ensure they have not been tampered with."

Other measures advised by SRI include using "test programs" that check the parameters of a program to see if it has changed since it was last used. New programs, the experts suggest, should be run first on an isolated computer system to minimise potential damage.

One innovative approach to software "innoculation" was introduced this month by Lasertrieve Inc of New Jersey. The company's "VirAlarm" system checks programs before they are executed on a computer and sounds an alarm if they have been infected by a virus.

Sony leads slow-off-the-mark Japanese into workstation market

By Terry Dodsworth, Industrial Editor



Toshi Doi, senior general manager of Sony Microsystems: "We have been struggling in the desk-top computer field since 1978. We launched an 8-bit machine just as IBM came out with its first product and smashed us out of the market. This time Sony wants to be a leader."

WHEN AN entirely new electronics business explodes into activity, Japanese companies are rarely slow to react. In the rapidly expanding computer workstation sector, however, the name of the first substantial overseas flag carrier for Japan is something of a surprise; it looks as though the drive into international markets will be led by Sony, the consumer electronics company better known for its innovative technology in television and audio electronics.

The overseas launch of Sony's NEWS workstation over the next few months is an important move for the company, which has been trying to diversify into desk-top computers for the best part of a decade.

"We have been struggling in this field since 1978," says Toshi Doi, senior general manager of Sony Microsystems, and the leader of the design team of the new machine. "When we launched our 8-bit machine, we did so just as IBM came out with its first product and smashed us out of the market. This time, I want to be a leader."

The weight Sony attaches to the workstation venture is demonstrated by Doi himself. Aged 46, he was sent into the computer division after springing into the limelight for his work as co-inventor with Philips of the digital audio compact disc.

For a year, he says, he worked with the Sony microelectronics team before being convinced that the most promising area was in engineering workstations aimed particularly at computer-aided design.

The result is a machine based on the 32-bit Motorola 68000 series microprocessor, which currently dominates the workstation market. NEWS also uses the Unix operating system, now broadly established as the standard in this sector of the market.

Doi says that he has aimed in particular for two characteristics in the machine: first, for "transparency" — simplicity of use, ease of communication and connectability to other devices; second, for high-speed processing based on a dual microprocessor design.

His strategy has placed the Sony workstation firmly in one of the fastest expanding parts of the computer industry — machines for technical professionals who want easily expandable multi-workstation networks which can be connected up to a range of other types of computers and peripheral devices.

In the last few years, sales of these types of products, priced at between $5,000 and $120,000, have been growing at about 40 per cent a year around the world, and makers are confidently expecting similar expansion in the foreseeable future. About 100,000 machines were sold in the US last year, while estimates put the European market at around 40,000 units, and the Japanese at about 10,000.

To achieve a significant worldwide position, however, Sony faces a formidable challenge.

First, the workstation sector is a technologically competitive field dominated by American companies. The leading US companies — Apollo, Sun, Hewlett-Packard and Digital Equipment — have strong sales networks throughout most of the leading industrial countries, and have the benefit of tariff protection in their home market.

Special US duties on the more powerful desk-top computers mean that Japanese imports in this category cost about twice as much as their wholesale price; hence to gain a foothold in America, Sony is having to set up a manufacturing line at its San Diego factory in California.

Second, the high margins in the workstation sector will attract new competition. Doi believes that some of the big European electronic companies will enter the field, and in Japan, NEC, Fujitsu and Hitachi are all interested.

Third, Sony is a newcomer without the relationships built up by its main competitors with customers and software specialists. Indeed, Doi himself places great emphasis on the software issue; in Japan, he attributes part of the success of the machine to a deal with a large number of software houses to develop products for NEWS.

Whether Sony can achieve these sorts of agreement outside its domestic market is now one of the questions hanging over the future of NEWS as it goes on sale internationally. Doi is confident enough over the prospects to be setting an ambitious market share target in Europe of between 5 and 7 per cent. This is attainable, he believes, because in Japan the machine has already gained 15 per cent of the market, from a standing start just a year ago.

An Important Letter to Gillette Stockholders

Dear Fellow Stockholders:

A proxy contest for control of the direction of The Gillette Company has developed. The contest nominally involves the election of four of Gillette's twelve directors. However, the Board believes that the future of Gillette – and the value of your investment in Gillette stock – are the real issues on which you will vote.

The Coniston Group — Who Are They?

The Board believes that Gillette's record and commitment to maximize stockholder value are well known to the Company's stockholders. But very little information is available regarding the Coniston Group and their obligations to their backers.

Messrs. Gollust, Tierney and Oliver, three of the Group's nominees and managers of Coniston Partners, are known generally as Wall Street market players who, based on press reports and other public information available to Gillette regarding these individuals and their affiliated entities, manage funds for a web of as yet undisclosed and unidentified investors, including substantial foreign ownership. Their fourth nominee has twice before agreed to stand as a nominee in connection with Coniston-led stockholder solicitations.

The nominees of the Coniston Group are running for election to the Board of Directors of a major publicly held company, yet their principals have no previous experience operating a business like Gillette.

A United States Court of Appeals said just last year in affirming the findings of a Federal District Court regarding another Coniston target in an action brought by Coniston contesting certain actions taken by the target:[1]

- "[N]either Coniston nor any of its general partners has ever operated a public company."
- Coniston and its affiliates do not intend to own their targets as ongoing entities because, in the words of one of their representatives, "they [are] not in the business of operating companies."
- Coniston does not view its target's daily operations "as anything but an afterthought."
- The target's board had the "reasonable perception that Coniston was a 'raider' intending to liquidate the company's assets."

Moreover, Gillette believes that the foregoing findings provide support for its concerns about where Coniston's loyalties lie. Gillette believes that Coniston's principal objective is merely to show a short-term return to the owners of Coniston — Coniston's real constituency. The Gillette Board of Directors has no special constituency, but is committed to acting to maximize value for *all* stockholders. Gillette believes that Coniston's principal objective, as applied to Gillette, could put Coniston's nominees in positions in which they would have conflicts with their duty to act in the best interest of *all* Gillette stockholders.

The Gillette Plan — Maximize Stockholder Value

Investment Return and Record Results. The Board believes that the Gillette program is working:

- Gillette's common stock price **more than doubled** during the two-year period from 1986 through 1987.
- Gillette's **dividend increased 32% and its stock split twice** in that two-year period.
- Gillette's **total return to stockholders** was 18.2% in 1987 – more than three times the Dow Jones Industrial Average rate of 5.49% and the Standard & Poor's 500 rate of 5.19%.
- Gillette produced a **25.3% average compound annual rate of return to its stockholders** since 1980, compared with the Dow Jones Industrial Average and the Standard & Poor's 500 averages of only 16.6% and 16.0%, respectively.
- Gillette's common stock price has **increased from $6.59 per share at the beginning of 1980 to $39.375 per share on March 14, 1988.**
- Gillette reported record 1987 results – a **27% increase in net income and a 41% increase in earnings per share.**

While the Company's 1987 results and prospects have begun to be reflected in stock market prices and return on investment, the Board of Directors expects continued improvement in performance which should be reflected in the market.

The Future. Gillette expects **record sales, profit from operations and net income in 1988.** To ensure that the Gillette program continues to be dynamic and ongoing, the Board of Directors will:

- Review continually management's plans and programs to ensure that the Company's business plan continues to generate substantial growth currently and to sustain that growth over time.
- Take steps necessary in the current environment to assure that Gillette is pursuing the best strategy to **maximize value for all stockholders.**

The choice of who is better qualified to control The Gillette Company's future should be made on the record and on the commitment to maximize value for all stockholders. Indeed, the Board believes that if a company like Gillette can be forced to a premature sale or break-up by "strategic block" investors like the Coniston Group, virtually every major publicly owned corporation in America with excellent earnings and prospects is equally at risk.

The Gillette Board respectfully asks for your support and pledges its continued efforts to maximize value for all stockholders.

Sincerely,

Colman M. Mockler, Jr.
Chairman of the Board and Chief Executive Officer

March 17, 1988

[1] *Gelco Corp. v. Coniston Partners*, 811 F.2d 414, 418-19 (8th Cir. 1987).

IMPORTANT

Regardless of how many shares you own, your vote is very important. If you have not already done so, the Board of Directors urges you to sign, date and return today the BLUE Board proxy card in the postage prepaid envelope enclosed with your proxy material. If you have previously returned a BLUE Board proxy card and have not subsequently signed a Coniston proxy card, no further action by you is required to vote for the Board's nominees.

The Board of Directors respectfully requests that you not return any proxy forms sent to you by the Coniston Group. If you previously have returned any Coniston proxy card, even if to withhold authority to vote, please sign, date and return the BLUE Board proxy card in the postage prepaid envelope enclosed with your proxy material.

If your shares are held in street name, only your bank or broker can vote your shares, and only upon receipt of your specific instructions. Please contact the person responsible for your account and instruct him or her to execute a **BLUE** proxy card today.

For assistance or further information, please call the Company toll free 1-800-551-0100 (if calling from Massachusetts, call toll free 1-800-421-4121) or call the Company's proxy solicitor, Georgeson & Company Inc., at 212-440-9800 (call collect), or toll free at 1-800-223-2064.

An industrial revolution

By Paul Cheeseright

THE FASHION cycle of the property industry is turning again. In 1986 and 1987, the vogue was for retail and, for some of the big players, City of London offices; this year, it is industrial property.

That does not mean that there has been a lurch into buying scruffy sheds at the back of old industrial estates. But it does mean that there is a strong and rising demand for modern industrial property, well located with good communications.

Greg Nicholson of Hillier Parker, chartered surveyors, is fresh from negotiating the biggest of the recent deals - the £35m purchase from the BP Pension Fund by Mercury Asset Management of a portfolio once owned by Provident Mutual Life Assurance.

"I would suggest from this, and market transactions I've been involved in since, that industrial and warehouse properties are top of the institutional shopping list," he said.

Signs of enthusiasm have come, for example, from the desire of an investment and development company like Peachey Property to extend its portfolio of industrial property through the purchase of Estates Property Investment Company.

Hillier Parker sought to buy an industrial estate at Crawley for clients and found competition among eight bidders. When Industrial Ownership bought an estate at Totton in Hampshire from Scottish Amicable Life Assurance, there were six bidders.

All these examples, however, are from the South East. There seems little doubt that the relative buoyancy of the market has filtered outwards, notably to the Midlands, and to a lesser extent further north.

Healey and Baker, chartered surveyors, say that rental returns on capital employed have been higher than for other property sectors.

Richard Ellis, chartered surveyors, calculated that the total return on industrial property in the year to last February was 29.6 per cent, the strongest rate of growth among the three elements - office, retail, and industrial - making up its property index. Although industrial rental growth has slowed recently in comparison with offices and retail, there was heightened capital growth - 19.1 per cent over the year - as yields have come down.

The Ellis index measuring capital growth is at its highest level since 1983 and the one that measures rental growth is at its highest this decade.

It all looks bullish. But there are regional variations, often related to the speed at which existing properties, surplus to needs until the economy picked up, have been absorbed by the market.

In the Birmingham area, Robert Macey of Grimley JR Eve, chartered surveyors, noted that for the first time in years there is a sellers' market and that there could be a rise in rents of 50 per cent this year.

Further north, the role of English Estates, the state company, as a source of new accomodation remains pre-eminent. In areas like Teesside, new developments in an enterprise zone will be taken up, but there remains a stack of existing vacant property.

In Scotland, fresh occupiers are moving into the New Towns and there is a shortage of premises in the 5000 to 10,000 sq ft range. But as Neville Brown of Fuller Peiser, chartered surveyors, put it, "people take take the good stuff and the bad stuff doesn't shift." If there is a generalisation to make about the market, it is probably that.

Demand is strongest for the best located modern premises - "there is still a chronic shortage of good floorspace in prime areas," according to King and Co, chartered surveyors, who produce surveys of the availability of industrial space in units of 5000 sq ft or more.

The latest King survey showed that the amount of new buildings, as a proportion of total availability, increased from 11 per cent in August 1987 to 13.8 per cent at the end of the year. Decline in new space, however, took place in the Midlands and Greater London, the strong points of national economy.

But the survey also indicated an increase in the total amount of space available for the first time since 1985. Throughout 1987, King said, the underlying trend had indicated a rise in the amount of space becomning available "and it now seems likely that the August 1987 level of 94.21m sq ft available was the low point in the current cycle."

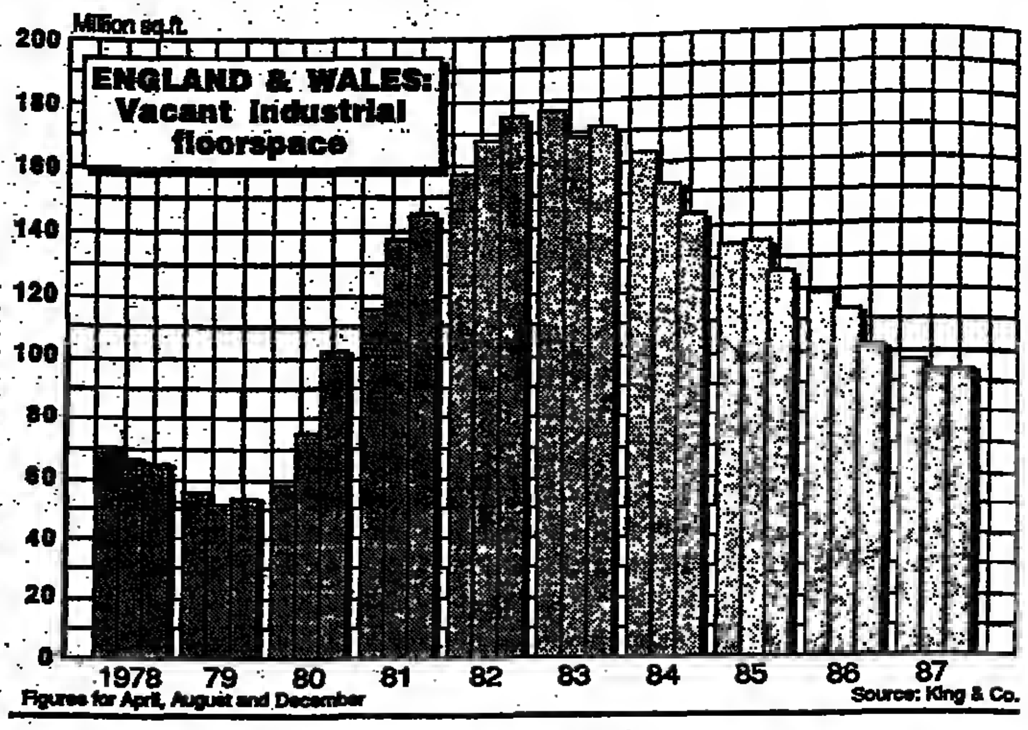
What that means for the growing institutional intererst in industrial property that Mr Nicholson and others have detected, remains to be seen. It might be argued that the institutions have missed the early flowering of the growth.

On the basis of early and provisional findings of the Investment Property Databank for its annual survey of institutional property holdings, the institutions continued in 1987 to reduce the industrial element of their portfolios.

The proportion dropped to 12.7 per cent of the total from 13.6 per cent a year before, leading to a rise in the retail element to 40.2 per cent from 38.5 per cent. The offices proportion fell to 46.7 per cent from 47.7 per cent.

A significant switch in these proportions would take some time to come through, but a movement of funds from the institutions into the market, especially outside the South East, would encourage the development industry.

Seeking a balanced portfolio



NATIONAL Mutual Property Services, which handles the property investments of National Mutual Life Assurance, is seeking to build up its industrial portfolio. This is in response to national economic growth and the need to rectify an imbalance in the wider property portfolio.

In National Mutual's total investment mix, property – worth about £100m – accounts for 20 per cent, which is on the high side for most institutions. "The property market has to be the cushion when the equity market falls out of bed," says Mr Peter Hadden, managing director of National Mutual Property Services. When equities are erratic, quality covenants continue to pay the rent.

Mr Hadden receives only a small amount of money annually for investment - about £7m this year. If he wants funds for development projects, he has to raise it by adjusting or working the existing portfolio.

About 88 per cent of the National Mutual property portfolio is in offices, which makes it, as Mr Hadden puts it, "a bit vulnerable." Hence the need for rebalancing. "But we've been so successful in office development that the balance has got further out." The base of this success has been two central London office buildings and the developing Southernhay Court, an office campus in Exeter. With rents going up, the balance worsens.

Industrial property accounts for 8 per cent of National Mutual property holdings. "We've not, in the past, thought it necessary to go into industrials for the sake of it. Our policy of prime (modern properties in accessible locations) continues and there are not a lot of good schemes around," says Mr Hadden.

The areas National Mutual has singled out for future expansion in industrial property are the M25 and M4 corridors, the region likely to benefit from the building of Eurotunnel, whether that be Ashford or the M25 corridor, and the West Country.

There are two main reasons for this choice. First, outside the south-east and the west, planning permissions are generally easier to obtain, making supply of premises easier. "One ingredient of providing good rental growth is restraint in new supply and healthy demand," Mr Hadden points out.

Second, the limited size of the National Mutual property team means that better results, in terms of management time, can be obtained by concentrating on a few locations. For the last 10 years, National Mutual has achieved an average annual compound growth rate on its property interests of 18.5 per cent.

The west has not been an area of heavy institutional property investment – 9.6 per cent of the total according to the Investment Property Databank's latest provisional figures. But Mr Hadden points to strong growth in the region, aided by an improvement in communications.

Industrial investments held by National Mutual in the west include stakes in two estates controlled by Exeter City Council.

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Public Notices

ADVERTISING RULES FOR CIVIL ENGINEERS

Monopoly Investigation

The Director General of Fair Trading has asked the Monopolies and Mergers Commission to consider the advertising rules of civil engineers in business as consultants. This covers some members of the Institution of Civil Engineers and of the Association of Consulting Engineers. If, on investigation, the Commission find that more than 25 per cent of such civil engineers obey rules which prevent, restrict or distort competition, they are further to consider whether those rules are against the public interest.

If you, or any organisation to which you belong, has any evidence or views that might help the Commission in their inquiry, please write to:

The Secretary
Monopolies and Mergers Commission
New court
Carey Street
London WC2A 2JT.

Your evidence should be with the Commission no later than 31 March 1988.

ADVERTISING RULES FOR OSTEOPATHS

Monopoly investigation

The Director General of Fair Trading has asked the Monopolies and Mergers Commission to consider the advertising rules of professionally regulated osteopaths. If, on investigation, the Commission find that more than 25 per cent of such osteopaths obey rules which prevent, restrict or distort competition, they are further to consider whether those rules are against the public interest.

If you, or any organisation to which you belong, has any evidence or views that might help the Commission in their inquiry, please write on

The Secretary
Monopolies and Mergers Commission
New court
Carey Street
London WC2A 2JT.

Your evidence should be with the Commission no later than 31 March 1988.

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Company Notices

NOTICE OF THE ANNUAL GENERAL MEETING

Notice of the Annual General Meeting of Shareholders to be held on April 8, 1988.

Notice is hereby given that the Annual General Meeting of Shareholders of ... will be held on April 8, 1988 at 3.00 p.m. at the offices of the Company ... to approve the Report of the Managing Director, the Annual Accounts of the Company for the financial year ended Dec. 31, 1987, and to declare a dividend ...

The official agenda of the meeting may be inspected by all Shareholders at the offices of the Company and is available upon request.

Amro Trust Corporation N.V.
Managing Director

DUMOBIA EPIDIMISIS ELECTRISMOU
(Public Power Corporation)
ECU Denominated Floating Rate Notes due 1997

Notice is hereby given that for the interest period commencing on 21st March, 1988 the Notes will bear interest at the rate of ...% per annum. The interest payable on 21st June, 1988 against coupon No. 7 will be ECU17,250 per ECU1,000 nominal.

Fiscal Agent
ORION ROYAL BANK LIMITED

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NOTICE IS HEREBY GIVEN that the Transfer Register will be closed from 11th April to 25th April 1988 both dates inclusive.
THE ROYAL BANK OF SCOTLAND plc
Registrar
Registrar's Department
20 Gresham Street
London EC2V 7HN

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London, 18th March, 1988

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Legal Notices

INSURANCE COMPANIES ACT 1982
NOTICE OF APPROVAL OF TRANSFER OF BUSINESS

Notice is hereby given under Section 51(5) of the Insurance Companies Act 1982 that the Secretary of State, having considered an application from Providence Capital Life Assurance Company Limited for his approval of a transfer of business to English and American Insurance Company Limited has approved the transfer.

Notice of the application was published in the London, Edinburgh, and Belfast Gazettes, the Times and Financial Times on 21 August 1987.

IN THE HIGH COURT OF JUSTICE
No. ... of 1988
CHANCERY DIVISION
IN THE MATTER OF HIGH-POINT SERVICES GROUP Plc
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 24th February 1988 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above named Company by the sum of £2,132,571.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Mervyn Davies at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 28th March 1988.

ANY creditor or shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned Solicitors on payment of the regulated charge for the same.

DATED this 18th day of March 1988
Denton Arnold & Cooper, 12 Bridewell Place, London EC4V 6AD
Tel: 01-353 ... Ref: ...
Solicitors for the above name Company.

De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 80

With reference to the notice of declaration of dividend advertised in the Press on 12th March, 1988, the following information is published for holders of share warrants to bearer.

The dividend of 82.50 cents per share was declared in South African currency. South African non-resident shareholders' tax at 6.8181% ... will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 76.875 cents per share.

The dividend on bearer shares will be paid on or after 10th May, 1988 against surrender of coupon No. 80 detached from share warrants to bearer as under:

(a) At the offices of the following continental paying agents:

L'Europeenne de Banque, 21 rue Laffitte, 75009 Paris · Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels · Generale de Banque, 3 Montagne du Parc, 1000 Brussels · Credit Suisse ... Zurich · Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich · Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle · Banque Generale du Luxembourg, 2 Boulevard Royal, Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 3rd May, 1988, at the United Kingdom currency equivalent of the rand currency value of their dividend on 26th March, 1988; or

(ii) in respect of coupons lodged after 3rd May, 1988, at the prevailing rate of exchange on the day the proceeds are remitted through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be United Kingdom currency equivalent of 81.875 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	82.50000
Less: South African non-resident shareholders' tax at 6.8181%	5.62485
	76.87515
Less: U.K. Income tax at 18.1818% of the gross amount of the dividend of 82.5 cents	15.00015
	61.87500

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries, G.A. Wilkinson

London Office:
40 Holborn Viaduct, London EC1P 1AJ
17th March, 1988

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.1818% instead of the basic rate of 25% represents an allowance of credit at the rate of 6.8181%.

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Music

LONDON

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy with Vovka Ashkenazy, piano and Sheila Armstrong, soprano. Beethoven, Mozart, Franck and Mahler. Royal Festival Hall (Tue). (928 3191).

Dmitri Alexeev, piano plays Brahms, Beethoven and Schumann.Queen Elizabeth Hall (Tue). (928 3191).

London Philharmonic conducted by Brydon Thomson with Boris Belkin, violin. Borodin, Prokofiev and Bax. Royal Festival Hall (Wed).

Monteverdi Choir and English Baroque Soloists conducted by John Eliot Gardiner. Bach St. Matthew Passion. Queen Elizabeth Hall (Wed).

TOKYO

Tokyo City Philharmonic Orchestra, conducted by Shunsaku Tsutsumi. Bach St. Matthew Passion. Kan-i Hoken Hall, Gotanda (Mon at 3pm) (464 2073)

Japan Philharmonic Orchestra, conducted by Ervin Lukacs. Beethoven (Mon, Wed) Suntory Hall. (234 5911)

Mischa Maisky (cello) with Pavel Gililov (piano). Beethoven Suntory Hall (Tue). (403 8011)

Yomiuri Nippon Symphony Orchestra, conducted by Kim Hong Jae, with Noboru Kamimura (cello). Dvorak. Kan'i Hoken Hall, Gotanda. (Wed) (270 6191)

PARIS

Mady Mesple, soprano, Richard Cowan, baritone, Jeff Cohen, piano: Mozart, Strauss, Wagner, Verdi (6.30pm); Le Nouvel Orchéstre Philharmonique conducted by Marek Janowski, Malcolm Frager, piano: Beethoven (8.30pm). Both on Monday at TMP-Chatelet (42 33 44 44).

Orchéstre Colonne conducted by Vitaly Kataev, Aldo Ciccolini, soloist: Schumann, Rachmaninov, Tchaikovsky (Mon). Salle Pleyel (45 61 06 30).

Ensemble Orchéstral de Paris conducted by Emmanuel Krivine, Marielle Nordmann, harp, Patrice Fontanarosa, violin: Jean Francaix, Spohr, Dvořak, Schobert (Tue). Salle Pleyel (46 61 06 30).

Georges Pludermacher, piano: Beethoven, Bartok, Schumann (Tue). Salle Gaveau (45 63 20 30).

Quatuor Arditti: Helmut Lachenmann, Gyorgy Kurtag, York Hoeller, Elliott Carter (Wed). Centre Georges Pompidou, Grande Salle (42 78 79 95).

Orchéstre National de France conducted by Hans Graf, Radio France choir: Britten, Haydn (Thur). Théâtre des Champs Elysées (47 23 47-77).

NETHERLANDS

Amsterdam, Concertgebouw. Recital Hall: Nell Mackie, tenor, accompanied by Roger Vignoles: Purcell, Britten, Butterworth, Henze (Tue). The Netherlands String Sextet: Brahms (Thur).

Utrecht, Vredenburg. Alain Lombard conducting the Hague Philharmonic, with Linda Kelm, soprano: Wagner (Thur). Recital Hall: Carolyn Wilkinson, mezzo, accompanied by Rudolf Jansen: Haydn, Schubert, Beethoven, Obradors, De Falla (Tue). The Tokyo Quartet: Haydn, Beethoven, Bartok (Wed). (31 45 44).

The Hague, Philipszaal. Antoni Ros-Marba conducting the Netherlands Philharmonic, with Olga Martinova and Alexander Barantschik, violins: Bach, Schnittke, Haydn (Mon). (60 98 10).

Groningen, Oosterpoort. The Franz Liszt Chamber Orchestra, with Isabelle van Keulen, violin: Mozart, Rossini, Haydn, Mendelssohn (Wed). (13 10 44).

Nijmegen, Vereeniging. The Brahms Quartet: Reger, Webern, Arriaga, Haydn (Mon). Guitar recital by Paul Gregory (Wed). The Brabant Orchestra conducted by Arpad Joh, with Serge Tiempo, piano: Van Boorn, Chopin, Brahms (Thur). (22 11 00).

NEW YORK

Maurizio Pollini piano recital. All-Beethoven programme (Mon). Carnegie Hall (247 7800).

Dietrich Fischer-Dieskau baritone recital. Schumann Lieder (Tue). Mahler/Lieder (Thur). Carnegie Hall (247 7800).

Yajima, Rhodes Krosnick Trio. Schubert, Schoenberg, Mozart (Tue mat. 2). Kaufmann Hall (996 1100).

Juilliard Orchestra. Stanislaw Skrowaczewski conducting. Rossini, Barber, Berlioz (Wed). Avery Fisher Hall (874 2424).

New York Philharmonic. Klaus Tennstedt condncting, Radn Lupu piano. All-Beethoven programme (Tue); Klaus Tendstedt conducting, Pinchas Zukerman violin. Bach, Bartok, Dvorak (Thur). Avery Fisher Hall (874 2424).

WASHINGTON

Philadelphia Orchestra. Charles Dutoit conducting, Schlomo Mintz violin. Prokofiev, Barber, Rachmaninov, Ravel (Wed). Kennedy Center Concert Hall (254 3776).

National Symphony. Kurt Sanderling conducting. Haydn, Schnbert (Thur). Kennedy Center Concert Hall (254 3776).

Opera and Ballet

TOKYO

Kesa to Morito (Tokyo Bunka Kaikan). Written by Kan Ishii, Japan's leading opera composer, based on an incident from the Tale of the Heike. The production will visit Europe later this year. (Thur). (376 5384)

NEW YORK

Merce Cunningham Dance Company (Joyce). Two major premieres are included in the four programmes during the month-long schedule of twelve works. Ends March 27. (242 0800).

Metropolitan Opera (Lincoln Center Opera House). James Levine conducts Cosi Fan Tutte with Kiri Te Kanawa, Susan Quittmeyer, Hei-Kyung Hong and David Rendall in Graziella Sciutti's staging. James Conlon conducts August Everding's production of Khovanschchina with Elizabeth Knighton, Stefania Toczyska and Timothy Noble. (36 26 000).

PARIS

Der Freischütz (TMP-Chatelet). Carl Maria von Weber's romantic opera played by Nouvel Orchestre Philharmonique. It is conducted by Marek Janowski. (42 33 44 44)

Z Mrtveho Domu (Salle Favart, Opera Comique). Janaček depicts Dostoyevsky's obsessive memories from the prisoners' pathetic universe in Siberia. It is condncted by Sir Charles Mackerras/John Burdekin in a production by the film-maker Volker Schloendorff. (47 42 53 712)

Boris Godunov (Palais Garnier-Paris Opéra). Conducted by Lothar Zagrosek in Petrika Ionesco's production, with Pasta Burchuladze in the title role and Marie-Christine Portz as Xenia. Alternates with Spectacle de Ballets with choreography by Maguy Marin, William Forsythe and Harald Lander at the (47 42 53 71)

Electronic translation for Royal Opera House

ALL FOREIGN language opera performances at the Royal Opera House, Covent Garden in London, will have English surtitles projected above the stage, the Royal Opera said this week.

When first introduced in 1986 for Janaček's Czech language opera Jenufa, the surtitles attracted criticism from opera purists. The Royal Opera then conducted a number of audience surveys which, they said this week showed demand for translations.

The new policy will start with a new production of Anna Bolena, starring Dame Joan Sutherland, on May 30.

The Royal Opera said: "Surtitles give the audience the opportunity to follow more closely a libretto sung in a language they do not speak, while at the same time being able to hear the sounds envisaged by the composer."

The surtitles are projected on to a 10ft wide and 3ft high black graphite screen mounted above the stage, using white text.

LONDON

Royal Opera (Covent Garden). New principals take over in the revival of Un Ballo in Maschera conducted by Richard Armstrong – Anna Tomowa-Sintow (Amelia), Piero Cappuccilli (Renato), and Linda Kitchen (Oscar). Further performances of Tosca, with Grace Bumbry, Giuseppe Giacomini, and Kostas Paskalis; final ones of the successful Eugene Onegin, distinguished particularly by Mirella Freni in her first London Tatyana. (240 1066).

English National Opera (Coliseum). Ian Judge's productions of Cavalleria Rusticana and Pagliacci, lively, inventive, over-detailed, return with a cast including Jane Eaglen, Arthur Davies, Angela Feeney, Alan Woodrow, and Jacek Strauch. In the first ENO production of Britten's Billy Budd, by and large an outstanding success for the whole company. The cast is superbly well led by Thomas Allen in the title role, Philip Langridge (Vere) and Richard van Allan (Claggart); David Atherton is the excellent conductor. Final performance in the current run of David Pountney's un-Offenbachian Orpheus in the Underworld, in the celebrated sets of Gerald Scarfe. (836 3161).

WEST GERMANY

Berlin, Deutsche Oper. Der Troubadour in von Karajan's production features Maria Slatinaru, Giorgio Lamberti and Harald Stamm. Tosca has fine interpretations by Pilar Lorengar, Cornelin Murgu and William Dooley. Also in the repertory: The Magic Flute, Die Verkaufte Braut, Oedipus, composed by Wolfgang Rihm and Der Fliegende Hollander with Carmen Reppel, Kaja Borris and Siegmund Nimsgern. (34381).

Hamburg, Staatsoper. Tristan und Isolde has a strong cast with Gabriele Schnaut, Hanna Schwarz, William Johns and Harald Stamm. (351151).

Cologne, Opera. This week's highlight is Tannhäuser with a strong cast led by Rainer Goldberg, Sharon Sweet, Adelle Nicholson and Roland Hermann. Wozzek brings Klaus Hirte, Nadine Secunde and Walter Raffeiner together. (20761).

Frankfurt, Opera. Otello is steered to triumph by Rene Kollo, brilliant in the title role. (25621).

NETHERLANDS

Amsterdam. Muziektheater. The Netherlands Opera production of Katya Kabanova by Janaček directed by Philippe Sireuil and designed by Jean-Claude de Bemels. Kenneth Montgomery conducting the Netherlands Philharmonic, with Ellen Shade in the title role, Fellicity Palmer, Jerome Pruett and Jerold Norman (Wed). (255 455).

Eindhoven, Schouwburg (Wed, 11 11 22); **Nijmegen**, Schouwburg (Thur, 22 11 00). The Hoofdstad Operetta company in Wiener Blut by Johan Strauss Jr directed by Dick Top and conducted by Martin Malzer.

Theatre

AMSTERDAM

Bellevue Theatre. The English-Speaking Theatre Company in Emerald City by David Williamson, a fast-moving commentary on life in Sydney's media jungle to celebrate the Australian bicentenary. Directed by Tanya Gerstle and designed by Mary O'Connor. (24 72 48).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player. (221 1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's childreo's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

Phantom of the Opera. The Majestic Theatre, stuffed with the Maria Bjornson gilded sets, rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

CHICAGO

Landscape of the Body (Goodman). John Guare's 1977 surrealistic view of an American family, combining mystery, murder and lyrical passages features Amy Elizabeth Gela, Ray Bradford and Gary Cole in Robert Falls' production. Ends April 2. (443 3800).

TOKYO

A Streetcar named Desire (Imperial Theatre). Yukio Ninagawa has had the inspired idea of transposing Tennessee Williams' masterpiece from sultry New Orleans to an equally sultry Tokyo summer soon after the Great Earthquake of 1923. With its prim kimono-clad Blanche Dubois (now Yukiko) and a Korean Stanley Kowalski (Kim), the play becomes intelligible to Japanese audiences and works well in its new setting. Ninagawa's productions always make a strong visual statement: a drop-cloth of giant etherised butterflies acts as a metaphor for Blanche/Yukiko's mental state and lighting is used to isolate the characters from the tenement setting. However, the over-insistent and decidely eighties background music sometimes jars, as does the strident acting. Ends March 28. (201 7777)

Yamato Takeru (Shinbashi Enbujo). This staggeringly successful super-kabuki production by Ichikawa Ennosuke, kabuki's greatest showman, has already broken all the records that a new show can possibly break in Japan. The story is based on one of Japan's oldest legends but it is less important than the extrovert and highly theatrical bag of tricks that Ennosuke has concocted to make kabuki more appealing to a generation reared on rock music and action movies. (541 2211).

Kabuki (Kabuki-za). For kabuki of a more traditional kind Kabuki-za is the place to go. It celebrates its 100th anniversary this year and this month features Kana Dehon Chushingura based on the story of the 47 loyal retainers. In two parts, at 11am and 4pm. Excellent English earphone commentary. Ends March 27. (541 3131).

Noh. Matsukaze. National Noh Theatre Performed by a troupe dedicated to preserving the ancient traditions, while incorporating elements of modern stage-craft. Thursday. (943 6677).

Moscow Art Theatre (Nissei Theatre). Pearly Zinaida by popular Soviet writer, Mikhail Roschin (in Russian). This musical satire on US-Soviet relations was first seen last November. It will be interesting to see if the 90-year-old company's artistic renaissance under glasnost, demonstrated earlier in Tokyo by its two Chekhov productions, extends to modern work. Ends March 28. (591 1906).

Exhibitions

WEST GERMANY

Berlin, Martin-Gropius Bau. Joseph Beuys (1921-1986). This is the first complete show of Beuys works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 60s based on a cycle The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's memories. Beuys was a political radical who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Stresemannstrasse 110: Ends May 1.

Bottrop, Joseph Albers Museum, Im Stadtgarten 20. To commemorate the 100th anniversary of Josef Albers' birth, 100 paintings of the artist, born in Bottrop (1888-1976), cover the full range of his work. (Ends May 5).

Bad Homburg, Sinclair-Haus Lowengasse/Dorotheenstra. From Marees to Picasso, 82 great works of European painting on loan from Wuppertal von der Heydt Museum and 9 paintings from Marees. (Ends April 24).

AMSTERDAM

Stedelijk Museum. An explosion of colour and exuberance fills 10 of the museum galleries in the Frank Stella retrospective of paintings and reliefs from 1970-1987. Ends April 10.

Overholland Museum. Frank Stella drawings 1966-1970. Museumplein 4. Ends April 10.

PARIS

Grand Palais. Zurbaran. From New York, an exhibition of 72 paintings retraces the artistic development of one of the great masters of the Spanish Golden Age. Influenced at first by Caravaggio's chiaroscuro technique, Francisco Zurbaran progressively abandons the strongly-contrasted rich colours for a softer palette with near monochromes. Reversing the perspective, using geometrical composition settings and shedding everything superfluous, the mystical painter of the counter-reformation seems to be a precursor of cubism. (42560924). Ends April 11.

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still lives by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac next to Van Gogh's work, the exhibition brings out their influence on the transformation of the Dutch artist's traditionally sombre colours into a soft impressionist palette underlined by contrasts of blues and oranges, reds and greens. Yet in spite of the revelation of his affinities with impressionism and post-impressionism structured by a strong dose of japanism, Van Gogh used both the techniques in his search for his own, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1973. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. Absorbed at first by paraphrasing Delacroix, Velasquez, Manet and David, his fantasies and obsessions turned to the painter and his model and finally to the basic themes of the archetypical woman, The couple, the man. (42 77 12 33). Closed Tue, Ends May 16.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon, Ends May 7.

Grand Palais. Degas. An important retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers – there are the two versions of La Classe de Danse – and of jockeys and race courses, of washerwomen, milliners and bathers show the diversity of his inspiration echoed by the variety of his modes of expression. Oils and pastels, drawings and engravings, photographs and sculpture complete the vision of daring and invention of the painter who helped to usher in modernity. Grand Palais (42 56 09 24). Ends May 16, Closed Tue.

LONDON

Tate Gallery. Douglas Cooper – The Masters of Cubism. A small but choice selection of 61 works on paper from Cooper's collection of cubist art of all kinds but principally of the work of the great quartet of Picasso, Braque, Gris and Leger. Ends April 4.

Tate Gallery. David Bomberg – A full retrospective of one of the most distinguished British painters of the century, yet one whose secure critical success came only after his death in 1957, at the age of 66. As a young man in London before the First World War, Bomberg was associated with the Vorticist movement, of the first importance and originality. But now we can see that far from fading into sad mediocrity, deserving of neglect, his later work, though superficially so different, retained all that strength, liveliness and profound originality.

ITALY

Rome, Villa Medici (French Academy). A Certain Robert Doisneau. Photographs spanning the 40 year career of Doisneau, from his touching and evocative Paris street-scenes of the immediate post-war years to a series of portraits of well-known writers and artists. Tender but unsentimental in the images of children and lovers amoog the rubble of the bombed city, Doisneau is illuminating, humorous, and unmalicious in his portraits: Picasso in 1952, sitting with splayed hands on the lunch-table, but with bread-rolls where the fingers should have been; Prévert posed carefully in front of the shop Merode, so that the O is covered: Colette with an enormous collection of paperweights, and Julian Green, de Beauvoir, Simenon, Dubuffet and Giacometti. Ends April 3.

Florence, Palazzo Pitti. Floralia – 80 paintings of flowers and plants with drawings, tapestries and illustrated botanical books, testifying to the Medici's precocious passion for this science, from Cosimo I oowards. Ends April 10.

MADRID

Circulo de Bellas Artes. The Romantic Tradition in Contemporary British Painting proposes that a parallel development to Modernism has embraced most major British artists since William Blake and that it is as alive today as 150 years ago. This is the first exhibition to uodertake such a re-examination and the first group exhibition of contemporary British painting to tour Spain. It features 10 artists and 36 works from private and public collections, some being shown for the first time. The romantics established a spiritual-landscape traditioo which proved to be indigenous and an enduring influence in the century to follow. This lineage can clearly be traced from the 19th centnry through Nash, Sutherland, neo-romanticism, Moore, Bacon and British abstraction of the 1950s to the artists represented in this exhibition. Ends April 17.

GENEVA

Galérie Jacques Benador, Alberto Giacometti drawings and rare prints. 7 Rue de l'Hotel-de-Ville. (21 61 36). Ends March 26.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 130 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costumes as well as paintings like The Fête at St Cloud and The Seesaw. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

TOKYO

Japan Folkcraft Museum (Nihon Mingeikan, Komaba). Prints by Munakata Shiko; pottery by Kawai Kanjiro. A special exhibition featuring works by two of the leading Japanese artists of the 20th century. Munakata's prints are dynamic and vertiginous (possibly because he was near-sighted from his youth onwards); while Kawai's distinctive style favours brightly coloured glazes. Don't miss the superb standing collection of crafts from all over Japan, housed in a replica of an old farmhouse building which is in perfect harmony with the un-selfconscious beauty of the objects. Ends March 27.

Setagaya Museum. An American Vision: three generations of Wyeth Art. An exhibition of paintings by America's best-known living artist, Andrew Wyeth, his father N.C. Wyeth, and son James organized by the Brandywine River Museum, Chadds Ford, Pennsylvania and sponsored by AT&T. It should appeal to the Japanese, not only for its exotic all-American qualities, but because artistic dynasties are something the Japanese understand and admire. Closed alternate Mondays.

Have your F.T. hand delivered . . .

Cinema/Nigel Andrews

A Boy's Own view of the war in the East

Empire Of The Sun (PG) Warner West End, Cannon Shaftesbury Avenue, Screen On The Green from March 22
Baby Boom (PG) Empire
Noir Et Blanc (18) Everyman
The Dark Side Of The Moon (15) Premiere

The hero of J.G.Ballard's novel *Empire Of The Sun* is the author himself in child's guise, giving us a boy's own view of the Japanese occupation of Shanghai in World War 2. Steven Spielberg's movie version is less a boy's own view than a Boy's Own view. The novel's graphic, particular vision of a historical moment – its smells and bewilderments, its incongruous comedy, its guerrilla joys and horrors – is transformed into a giant Opera of Innocence. Crammed with visionary adventure, the film is generic, sentimental, inspirational, apocalyptic: less J.G.Ballard than "E.T." Spielberg. Yet for half its juggernaut length (2¼ hours), the treatment somehow works. Prime reason is that Spielberg has found a wonderful actor in Christian Bale. His bright-eyed English brat reared in Shanghai's rich "international settlement" graduates believably from being the scourge of parents and nannies to being the resident pest, wheeler-dealer and human dynamo in the Japanese prison camps.

Bale's eyes are as wide, shiny and absorptive as celluloid. When he sees his parents snatched from him as the Japanese tanks roll into the Bund, we see the event and its emotions reflected violently in his face. And earlier we see and believe his near-mystical delight in the make-believe software of boyhood – the suspended toy plane dancing amid shadows on his bedroom ceiling – which will soon turn into the real and crueller hardware of war.

Meanwhile, Spielberg himself has the ultimate toy set to play with here: the real city of Shanghai. And he succeeds where Bertolucci in *The Last Emperor* failed, in catching a sense of live historical turmoil. A human tidal wava pours along the streets when the Japanese, on Pearl Harbour day, revoke their truce with the foreign nationals and round them up for internment. As in Ballard, horror jostles with absurd comedy. One moment the streets are a storyboard of violence (a bunch of trussed chickens smashes against a car window, smearing blood, as it careers through the market). The next, Jim, idly practising morse-code with his torch from his bedroom window, sees it answered – with comical instantaneity – by an exploding gun on a Japanese battleship.

Once the movie leaves town, however, and we begin the march of human misery from camp to camp, Spielberg the child's-eye fantasist gets increasingly out of his depth. In the novel Ballard's boy here may not have understood the cruelties around him – the beatings and shootings, the dying prisoners lying in their own excrement – but Ballard the author did not shirk their depiction. Spielberg does. He gives us the distanced sound and shock of war. He never gives us the close smell and touch of human suffering.

Instead, as the film's last hour lurches from one *coup de cinema* to another – a crippled fighter-plane haloed by a shower of welding sparks, a ghostly stadium stacked with shimmering war booty – we sense that Spielberg is using these visual set-pieces as stepping stones over the murky waters of real human tragedy. John Williams's music, all soaring strings and heavenly choirs, adds its own brand of fake inspirationalism. And the one actor who could have dragged us to earth, John Malkovitch as the seedy American P-o-W "Basie," gives a narrow-range, actorish performance which kills his scenes stone dead. (Supporting stars like Nigel Havers and Miranda Richardson scarcely feature at all. One suspects there was much mayhem in the cutting room.)

Miraculously, something of Ballard's pessimistic realism about childhood still survives. Both in novel and film, Jim sees war as a giant adventure playground (just like another autobiographical Jim, the hero of Boorman's *Hope And Glory*). He is initiated into suffering so early in life that he is virtually inoculated against it. And by war's end, he has not only survived the camps, he has grown emotional roots in them.

Ballard showed this process happening subtly, insidiously, inexplicitly. Spielberg fanfares it at us. But though his images of Jim's bleakly gained survival instinct may not be subtle – his dance of excitement at the fighter planes roaring overhead, his hero-worshipping gaze at the kamikazi pilots taking their last salute against the rising sun – at best they still have a primal, childlike, radiating power. If he would go back to fitting those images to his own stories rather to often protesting examples of Great Modern Literature, we might all be happier.

★

With *Baby Boom* Hollywood's latest frightful trend is upon us. This is movies made with, about, and to all appearances for, small crawling infants (see *Raising Arizona* and the forthcoming *Three Men And a Baby*). The tot in this comedy from writer-director Charles Shyer, of *Irreconcilable Differences* is a 1-year-old girl bequeathed to an initially appalled Diane Keaton by a dying aunt.

Miss Keaton is a New York career lady. She wears her glasses in her hair, eats business tycoons for lunch and allots four minutes per love-making session with her yuppie husband (Harold Ramis). Not surprisingly she is *dismayed by having this bundle* of fun thrust on her. But can you guess what? She comes to love her. Yes: even when the little perisher breaks up her home (exit *Mr Ramis*) and her career (exit boss Sam Wanamaker, who decides he does not wanna make her a partner).

Soon Miss K. is doing the only thing possible in the circumstances, at least if you are in a Hollywood film. She goes off to the country, "discovers herself" as a mother and woman, and builds a new career making and selling gourmet baby food (sic).

And she finds love. For if there is one thing American cinema has taught us in the last ten years, it is that there is no town so small, so remote from civilisation that it does not contain Sam Shepard. Here he is again (see *Resurrection, Country, Crimes Of The Heart*): lanky as a telegraph pole, giving out the "Aw shucks" smiles, and showing that the *Gary Cooper-style romantic hero* is not dead, he only seems that way.

This fearful twaddle carries on to the accompaniment of much musical wallpaper from Bill "Dynasty" Conti and much cherubic frolicking by the lovable tot. She is played in relay by two twins, who must have decided early on there was a limit to what each one could endure. They have this moviegoer's sympathy.

★

The French film *Noir Et Blanc* is an eerily powerful debut hy *Claire Devers. It won the Camera* d'Or prize at Cannes in 1986, though "gold" is hardly the apt colour concept for a film made in a low-budget monochrome the *texture of an atom blast.*

We watch the dance of death between an introverted Paris accountant (Francis Frappat) and the black masseur (Jacques Martial) who initiates him into the mysteries of pain. After his first free session on the couch – gift of the health-club whose ledgers he is checking through – M. Frappat seldom looks back. And when he does, he tends to see his shoulder-blades being savaged, his spine being pummelled and finally his arm being broken. This last incident puts him in hospital. But even here our black angel of pain rescues him, a willing victim, and takes him off to the worst (or best) horror of all.

Squeamish viewers can be assured that most of the violence happens off-screen. And prudish viewers can be assured that the liaison is non-sexual. The movie gathers its menace and magnetism from what is *not* seen or said: from the mystery of a man's willed descent *into Hell*, from the sense of a queasily momentous initiation somewhere between the erotic and the quasi-religious. From an unlikely twin inspiration – a planned documentary about health centres and a Tennessee Williams short story (*Desire And The Black Masseur*) – Claire Devers has made a movie entirely her own: original, haunting and mysterious.

Erich Clausen's *The Dark Side Of The Moon*, by contrast, is Expressionism by numbers. Shadows loom, rats scurry, rain falls like needles and human faces resemble scoured skulls, as an ex-convict leaves prison to pick up the pieces of his life and soul. (He murdered his wife 16 years before.) This turgid Danish movie is artistic torment at 24 frames per second. No wonder the Hollywood Academy, who know a piece of capital-A Art when they see it, shortlisted it for Best Foreign Film.

Christian Bale as Jim in "Empire of the Sun"

The Miracle Worker/Westminster

Martin Hoyle

The story of Helen Keller is so tremendous that it defies sentimentality and theatrical tricks. The blind deaf-mute rampaging through her helpless parents' well-to-do Alabama household a century ago seemed set for life imprisonment in that recalcitrant body, at best an indulged pet incompletely house-trained, at worst a candidate for the asylum.

The struggle of Annie Sullivan, a half-blind Irish-American, herself brought up in an institution, to communicate with the child remains a profoundly moving and inspiring chapter of indomitable devotion.

Adrian Reynolds' production of William Gibson's play from the Byre Theatre, St Andrews, has its rough edges compared with the West End version in the early '60s. The Keller parents are lightweight: Ian Lavender is 20 years too young for a Victorian paterfamilias and his accent is all over the place. Sally Osborne's Mrs Keller asks her husband that crucial and agonising question, "Do you like the child?" as casually as if enquiring what he wants for lunch. The production seems uncertain what to do with the sub-plot of father Keller and his son which belongs to an adolescent problem play of another sort altogether. And yet . . . The cumulative effect is more moving than I remember the British première being, thanks to the extraordinary performance of Daryl Back as the young Helen.

Hildegard Neil's Annie is tougher and less vulnerable than Anna Massey, if memory serves, but by the end has convinced us of her determination to "disinter the human soul," the unreachable intelligence in the screaming, heel-drumming infant. The sheer *physical violence comes over* well; indeed, Helen's shrieks and bangs pose a slight problem for the audibility of the other actors. But Miss Back's performance is uncompromising, from the first inarticulate cries of rage as the filthy child tries to communicate – and the awful thing is that it is obvious that she *has* something to communicate as she pummels and pats the unheeding adults for attention – to the *grim mischief* with which she puts her parents' indulgence to the test after apparently being tamed by Annie. And all this is expressed in total self-absorption, rapt in her own world, with no signalling to the audience. The moment of revelation when she makes the connection between the words spelt out on her hand and objects around her is spellbinding and momentous. I defy even the most hardened cynic to remain untouched. The performance justifies the production's trip from Scotland – that and the reminder of the unquenchable human spirit.

Daryl Back and Sally Osborn

Henze/Royal Academy of Music

Richard Fairman

There are some living composers who offer an ideal opening to the world of 20th century music for young performers. *Hans Werner* Henze, with his deep roots in musical tradition, is certainly one of them and his presence at the Royal Academy of Music for a week-long festival of his music should prove a stimulus every bit as vital as any in these festivals, which have become an eye-catching annual series.

In Wednesday's concert – the mid-point of a packed programme of events – most of the pieces were in Henze's lighter, occasional vein. The Academy has regrettably not bitten off any of the most testing, large-scale works, such as the operas, and this particular selection left us without getting to the heart of what makes the composer important, either with regard to his politics or the seminal features of his musical style.

On even the most derivative of his work, though, Henze soon imprints his personality. The most important piece of the evening was the British premiere of *I Sentimenti di Carl Philipp Emanuel Bach*, in which a fantasy-sonata by the earlier writer is subtly shaped, and thereby transformed, by Henze into a piece for flute, harp and strings. The elegiac and romantic result could hardly be mistaken for any other contemporary composer by those who know his most expressive, post-Mahlerian mood well.

The same sound-world (hazy images of Visconti's Venice never seem far away) also make up much of his *Fantasia for strings*, though this might have been given more forceful, dynamic shaping by the student orchestra under Odaline de la Martinez.

His *Ragtimes and Habaneras* for brass ensemble later gave hints of another location, with a fair wind blowing from the Caribbean and catching echoes of Kurt Weill and Mahler on the way.

However, it took the wind quintet *L'Autunno to strip away these* varied outside influences at last to reveal Henze at his most objective. *The brilliant writing for the* solo instruments and the more gritty, astringent atmosphere made this easily the most impressive piece of the group and it was *also the chance for the most styl*ish, lively playing of the evening. Henze applauded the Academy's five wind soloists warmly, and rightly so.

Kronos Quartet/Elizabeth Hall

Max Loppert

There is a worrying aspect to *Kronos Quartet concerts*, if Wednesday night's was anything to go by. (It was the start of the Kronos' six-city Contemporary Music Network tour.) This was embodied *most clearly of all in* the performance of Bartok's Third Quartet that brought a very long first half to its close – a performance that would have been just about tolerable if it had been given by final-year academy students, but that failed to reach anything like the standard predicated by the reputation of this immensely fashionable and enormously popular "designer quartet."

Balance of parts was careless, a sufficient weight of tone sorely lacking, rhythmic tread light and lacklustre; the shaping of the whole work according to tha carefully plotted internal relationship of its subordinate sections is a Bartokian art of which the Kronos have apparently little inkling. Laid-back and slipshod make an unappealing combination of qualities.

It is perhaps unfair that such an experience should be allowed to throw a pall backward and forward *over the whole concert. But* the Bartok was the only substantial piece of music in the programme; for the rest, the Kronos had billed what might not *improperly be called "encore* music" – not Puccini's *Chrysanthemums* or Gershwin's string-quartet lullaby, but current-day equivalents, lightweight, easy-*on-the-palate stuff such as the* arrangements of Monk and Bill Evans, the variations on "Amazing Grace" by Ben Johnston, and even the very attractive dance movement from *White Man Sleeps* by the South African Kevin Volans, with its delicate *patchwork of dancing additive-*rhythm melodic phrases.

In these undemanding works the Kronos' skill was evident, and the "image" was pleasantly *opportune. (For the indescribably* boring, poverty-stricken acreage of Terry Riley that filled the second half – *Conquest of the War Demons* from *Salome Dances for Peace, Part Two* – no amount of Kronos salesmanship would do the trick.) But the occasion as a whole did leave me wondering whether the group's artistic identity and purpose were *now* in need of a serious re-think.

BBC Symphony/Festival Hall

Andrew Clements

One of the the many thoughts provoked by the Berlioz Experience on the South Bank ten days ago was the possibility of applying a similar historical approach to the orchestral music of Schumann. His symphonies have traditionally been derided for their heavy, opaque orchestration, yet one wonders what revelations performances authentically faithful in spirit and orchestration could bring, radically restructuring the balance between wind and strings. Refining the sound of Schumann's symphonies has preoccupied more than just the present generation, however, and Wednesday's Festival Hall concert given by the BBC Symphony Orchestra under David Atherton began with the First Symphony in the performing edition of Gustav Mahler.

Mahler made it a regular habit to tinker with the orchestration of the works he conducted, though few of the scores are extant. His approach to Schumann was less one of wholesale reorchestration than of selective retouching, concerned above all with refining and clarifying detail. The effect in performance is much like the removal of discoloured varnish from a familiar painting; the colours may not always quite be as one remembered them – discreet instrumental doublings are used to bolster thematic statements, while redundant duplications are abolished – but significant details emerge much more clearly. It is not always, though, a convincing Schumann sound; some passages, especially in the first movement, are revoiced to seem uncomfortably close to Mahler's own early scores. Yet the light and shade of the symphony, its conjunctions of ceremonial grandeur and lyrical impulsiveness, are more sharply contrasted than usually, and Atherton's account, athletic and cogent, clearly exploited that element to the full.

The concert had been planned originally as a Mahler evening, with the symphony to be followed by a complete performance of *Das knaben Wunderhorn* settings, shared between Lucia Popp and Thomas Allen. Miss Popp, however, had to withdraw from the concert because of illness, and her contributions were replaced by Haydn's Symphony no.90, in an immensely polished account distinguished by expert solo woodwind. Mr Allen then delivered his surviving five songs with biting characterisation; both soloist and conductor pointed up the ironies of "Revelge," with its sometimes uncanny presentiments of Kurt Weill, and the solo playing in "Lob des hoven Verstandes" had genuine pungency. Torn from the complete collection, however, the baritone songs lacked a guiding shape, although Allen's eloquent, perfectly modulated account of the culminating "Wo die schönen Trompeten blasen," suggested that a performance of *Das Lied von der Erde* with his taking over the contralto songs might be a fascinating experiment for a future BBC SO concert.

Lesa McLaughlin/The Place

Clement Crisp

Wa were a select band of 50 at The Place on Wednesday to see the London debut of Lesa McLaughlin and Dancers, and I must observe at once that the absentees had the better part of the evening.

Miss McLaughlin and her five companions come from Washington D.C., and advance publicity spoke of a "new young star" and a "dynamic company." The poor attendance on Wednesday serves to confirm my own suspicion that the London audience for modern and post-modern dance is partisan and not wildly adventurous and, in this instance, wise in avoiding the unfamiliar.

Miss McLaughlin offered us the premières of two pieces: *Those Folk*, which was concerned with childhood memories of West Virginia, and *Big Surprise*, which, after seeing the choreographic *manner of the first item*, was no surprise at all. That, at the end of 25 minutes of acrobatically tedious activity, one member of the cast brought the proceedings to a close by throwing a jug of water over the other performers was more like criticism than a *coup de théâtre*. The saddest fact of both works was the *old, old* message that patent sincerity is no substitute for movement invention, and that the danced display of personal experience must always seem hermetic to the viewer.

I cannot account in any other way for the leaden sequence of idiosyncratic, naif dances, as childhood recollection of prayer meetings and railway trains busied the cast in the first work, and incomprehensible aggressions occupied the performers in the second.

The scores were, respectively, noises of machinery and songs interspersed with recordings from revivalist services, and a combination of ringings and crashes that sounded like a gamelan orchestra enjoying a nervous breakdown. During *Those Folk* four women made *much of* handfuls of sand, which they liberally strewed the stage; during *Big Surprise* nine pillows were thrown about. Beyond these rudimentary notes, I feel no need to comment further.

Saleroom/Annalena McAfee

Commode makes top lot

A George II mahogany commode went for nearly three times its estimate yesterday in Bonhams' sale of fine English and continental furniture. A London dealer paid £77,000 for the piece, by leading cabinet maker William Vile. Inlaid with patera and crossed palm fronds, it resembles a library table in the Victoria & Albert Museum which is also attributed to Vile.

But there was some disappointment at Bonhams' sale of modern British and continental pictures, drawings and sculpture when Fred Hall's *Portrait of two young Women in an Autumn Landscape*, which had been expected to fetch about £35,000, failed to sell. This boosted the number of lots unsold to 30 per cent.

There were, however, signs of buoyancy in the rest of the sale, which yielded a total of £141,120. Good prices were paid for work by the English naive painter Helen Bradley. One of her oil paintings, *The Pot Market*, went for £7,150 to the London dealer Joseph and a watercolour, *It was dusk in the Enchanted Garden*, sold for £8,050 – both prices comfortably topping their estimates.

A small Lucien Pissarro work in pencil and watercolour, *A View of Trees in an extensive Landscape*, more than doubled its estimate when it was bought for £2,650 by the London dealer Horwood. Thérèse Lessore's circus study *The Equestrienne* fetched £5,550, from the dealer Sim, and London dealer Hazlitt successfully bid £4,400 for *Storm Petrels* by Belgian School artist Ghisbert Combaz. *A Bust Portrait of a Gentleman* by Sir William Orpen, inscribed "The Peace Conference Versailles" and dated February 1919, went for £3,740 – nearly four times its estimate – to the London dealer Gallant.

In New York, a record price was paid for an Indian work of art at Sotheby's sale of Indian, Himalayan, and Southeast Asian Art and Indian miniatures on Wednesday. A European collector paid $231,000 (£123,192) for two 11th century bronze figures of Shiva and Parvati seated on lotus thrones. The sale made a total of $1,523,280 with only 5 per cent left unsold.

All foreign opera to be surtitled at ROH

The Royal Opera House is to use English surtitles for all its future foreign language performances starting with the new production of *Anna Bolena* which opens on May 30.

This is in response to what the ROH management describes as "an overwhelming demand" for them revealed by audience surveys since the selective use of surtitles was introduced in November 1986.

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Exchange rate uncertainties

"ACTIONS are more important than words," says Mr Nigel Lawson. This is a peculiar position, since action without explanation does not tell one the principles underlying policy. But after the confusions of the last two weeks over exchange rate and monetary policy, action appears to be all there is to go on.

Nevertheless, only last week the Treasury was insisting that it had never said that DM 3 was the ceiling for the sterling exchange rate. So why did people believe it was? They were misled by the vigorous action taken by the Government to defend that rate. Action may be more important than words, but it can be just as misleading.

The best approach is that of the Kremlinologist, who bases his interpretations on words and actions taken together, well aware that his complex constructions can disappear with changes in the political tide as swiftly as castles in the sand.

What might yesterday's decision to lower interest rates by half a point mean? The official line appears to be that appreciation of the exchange rate by a little over 3 per cent against the D-Mark represents a tightening of monetary policy. This being so, some compensating reduction in interest rates is appropriate, especially in view of continuing concern about the balance of payments and competitiveness.

The explanation merely underlines the problems inherent in the attempt to deliver steady economic growth, external balance and domestic monetary stability with one adjustable macro-economic instrument, the rate of interest. For just under two weeks, monetary policy appears to have been guided by the desire to control inflation. Now it is the turn of the balance of payments and competitiveness.

Upward pressure

What happens if the exchange rate continues to rise, despite the cut? This, it should be noted, is far from inconceivable. If investors expect sterling to appreciate over the next three months and, in addition, see an interest differential in favour of sterling of 5½ percentage points vis à vis the D-Mark, one can anticipate reinforced upward pressure.

Under this interpretation, an effort will be made to preserve roughly the current relationship between the exchange rate and the interest rate, but without any heroic last stands to defend any particular exchange rate. If sterling were to rise substantially – to DM 3.20, for example – logic would suggest a further modest interest rate cut and another if the rate were to rise still further. It is perfectly possible, however, that further appreciation will evoke panic cuts in interest rates as the economic expansion of the past year and a half comes under threat.

Should one presume that policy is symmetrical? If sterling comes under downward pressure, will there be equally gingerly upward adjustments of the interest rate or is the floor more rigid than the ceiling? This is yet another – and much the most important – question on which action so far tells one little.

One piece of evidence is the willingness of the Government to raise interest rates by half a percentage point only a little over six weeks ago. More important is the record of Mr Lawson. On the basis of the Chancellor's past actions, the Government will not make a serious effort to lower inflation below current levels, though it would probably be unwilling to see inflation rise significantly either.

Precise targets

None of this takes us very far. The upward adjustment in the exchange rate should have been treated as an appreciation in the context of the UK's shadow membership of the exchange rate mechanism of the EMS. On the principle that it is a good idea to start intervening before reaching a new ceiling the Government could have had DM 3.15 or DM 3.20 in mind. While this may be the policy (action, again, being insufficiently informative) it is unlikely. Precise targets are probably ruled out, largely because precise targets can create precise disagreements and this is, presumably, what the Chancellor now wishes to avoid.

So, fine-tuning it is, with considerable interest rate and exchange rate instability the result. In that light, the interest rate cut looks defensible, though worries about the excessive vigour of domestic demand are all too likely to return, especially since the fiscal adjustment in the Budget was at the upper limit of the prudent. What the change portends for future policy is unavoidably uncertain, but Kremlinology never was an exact science and, on macro-economic policy, the UK does not even have the benefit of *glasnost*.

Central American trip-wire

THE LOUDLY trumpeted despatch of 3,000 US combat troops to Honduras after an alleged Nicaraguan incursion seems, at first sight, an unwelcome escalation of regional tension that could jeopardise the promising moves towards peace.

Yet at this stage, nothing suggests the Reagan Administration's top priority is other than the theatre of war: a flexing of imperial might to intimidate the Marxist-orientated Sandinista regime which is conducting the largest military operation against the US-backed Contra rebels in almost eight years of conflict.

Washington has stressed its troops will not play a combat role. More reassuring, Congress has legal impediments to prevent them being used to this end and is scarcely in a mood to back military adventurism. The US has had a sizeable military presence in Honduras since 1983, which has been boosted on an almost continuous basis by troops on manoeuvres.

This presence has undoubtedly helped provide an umbrella of protection to Honduras and permitted the Contras an invaluable rear base in which to train and resupply. Nicaragua has made incursions, usually in hot pursuit. But these have been circumspect and President Reagan and his advisers have always been selective in highlighting these occurrences, largely because Honduras maintains the fiction that it harbours no Contra bases on its soil. In 1986 the Honduran authorities were goaded to declare that Nicaragua had invaded their country, and the US ferried Honduran troops to the border in a highly publicised operation. The Sandinistas avoided a confrontation.

Loss of support

The only difference now is that the Contras have lost vital support in Congress, and the Sandinistas have an even stronger incentive to damage if not destroy the rebel bases. The Sandinistas, weakened by years of war, are virtually bankrupt. With little firm promise of fresh substantial military supplies from their sole friends in the East Bloc, and under enormous regional and international pressure to negotiate a genuine peace, they are taking advantage of their last foreseeable chance to inflict damage on the Contras before serious negotiations.

All this is a reminder that there are really two fronts to the Nicaraguan conflict. One is the propaganda war being waged by the Reagan Administration with Congress to prove that the Sandinista regime is a threat to US regional hegemony which can only be combated by backing the Contras. The other is the war on the ground – a long-drawn out, low intensity conflict fought in remote jungles and inhospitable mountains in which the Contras have failed to make decisive gains.

Justifying a thesis

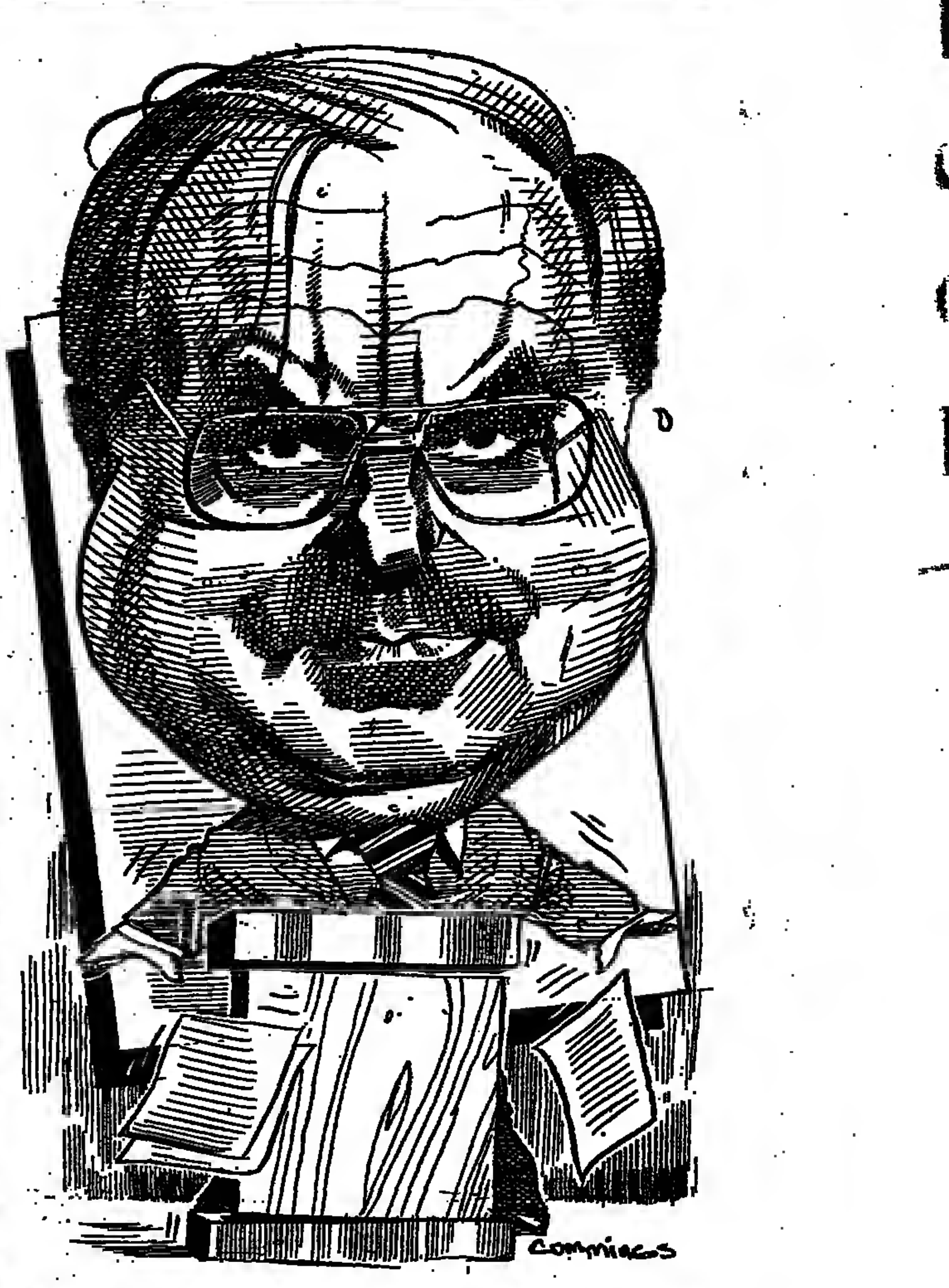
President Reagan may have lost his latest battle with Congress over Contra funding; but he has far from given up. Thus he has seized upon the Nicaraguan offensive, and blown up what is not even proven as hot pursuit into an invasion, to justify his thesis that the Sandinistas are a threat to regional stability.

The Sandinistas, meanwhile, know full well they must not lose this propaganda battle by overstepping the mark. They simply cannot afford to risk any encouragement to the renewal of Contra aid. Rightly they calculate that the Contras cannot survive devoid of Washington's assistance. The many concessions made by Nicaragua since the five Central American leaders endorsed the Arias regional peace plan last August have come about largely because the Sandinistas have wanted to head off congressional funding of the rebels.

Providing those constraints hold good, both sides are doing no more than operate on the well-tried tactic of fight and talk.

David Marsh explains the importance to West Germany of Sunday's election in Baden-Württemberg

The sands shift under Mr Kohl's coalition



IF HELMUT KOHL, the West German Chancellor, goes down in history, it will be, above all, because of the toughness of his hide. But as a result of changes under way in the complex coalition arithmetic of West German politics, Mr Kohl will need more than a thick skin to deflect the challenges threatening his rule.

Even though the next general election – and the nearest possible date for a change in the Bonn coalition – is still more than two-and-a-half years away, the whiff of political realignment is in the air.

Mr Kohl's centre-right coalition, made up of his Christian Democratic Union, its Bavarian sister party, the Christian Social Union, and the liberal Free Democrats, has been in power since October 1982, when the FDP deserted its 13-year governing alliance with the Social Democratic Party (SPD). The Kohl Government has been beset by in-fighting during the past year over a collection of economic, social and strategic issues. It has looked like family squabbling, but tensions are now rising to a point which makes the coalition look immutable no longer.

Uncertainty seems likely to increase after regional elections on Sunday in the prosperous southern *Land* (state) of Baden-Württemberg, where the CDU faces an uphill struggle defending a 16-year-old absolute majority.

The CDU's performance at the polls will provide an important indication of the effect of present economic uncertainty on the Government's electoral fortunes. With exports holding up well, in spite of the weak dollar, and mild winter weather boosting production, the country's economic picture has brightened since the exaggerated gloom which followed the October stock markets crash. But West Germans face a further small rise in unemployment this year – now at 2.5m – and have been given a series of warnings in recent weeks of the need for belt-tightening in the years ahead.

The clouds over the economy have had a particularly sobering effect in Baden-Württemberg. The state has one of the highest per capita incomes in the country, but also has the largest concentration of export-orientated industry – led by the Daimler-Benz group – and is thus highly susceptible to any world economic downturn.

The economy is the issue over which some key figures from the SPD, led by Mr Oskar Lafontaine, the ambitious Premier of the Saarland, have fired the opening shots in what looks like a campaign to woo the FDP away from the conservatives. Positional jockeying among the parties represents an intriguing prospect for Bonn observers. But it could be an unpropitious time for the country as a whole – as well as its partners and allies abroad.

In spite of the federal republic's prosperity and efficiency as western Europe's largest economy, tough decisions will have to be made in the next few years. These range from cutting subsidies for uncompetitive industries and trimming the over-burdened health and social security system, to finding solutions on nuclear missile deployment which have split the country from other Nato members. West Germany might well need a steady hand on the reins, but it looks much more likely to be in for a period of political horse-trading as the parties test all the possible permutations of alliances which might assure them of power after the 1990 elections.

Mr Kohl has shown poor coalition management and the CDU's faces difficulty in satisfying its diverse, increasingly disgruntled, electoral clientele, from farmers and small businessmen to blue-collar workers. Some of the fiercest criticism comes from those involved in policy. A senior Finance Ministry official lamenting the Government's inability to stand up for free markets against the special interest groups to which economic policies are increasingly hostage, complains: "There is no one bringing the message." A senior CDU politician involved in drawing up the party's previous policy documents on relations with East Germany criticises as "a collection of inanities" a CDU paper published last month which waters down the ultimate goal of German reunification.

Nevertheless it is premature to write off the Chancellor or the present coalition. Many times during his career Mr Kohl has been reported politically dead, only to come back from the brink, and he is a master at eliminating rivals by playing off one against another. In spite of the bickering, the FDP, which has been a member of coalition governments in Bonn for all but seven years since the federal republic was formed in 1949, is underlining that it sees no reason at present to change alliances.

The latest opinion polls give the CDU and CSU the support of only about 40 per cent of voters. This is well below

Mr Kohl has shown poor coalition management and his party faces difficulty in satisfying its disgruntled voters

the 44 per cent poll by the conservatives in the January 1987 general election which was itself the right's worst performance since 1949. As economic growth has slowed, Mr Kohl has lost support among the business community, which helped propel him to the chancellorship five-and-a-half years ago. Since this general election, the CDU has endured a series of setbacks in four out of five successive state polls, and this is likely to be taken a step further on Sunday.

Baden-Württemberg is the only one of six CDU-run states in which Mr Kohl's party still has an absolute majority. But after Sunday's poll it will probably be able to hang on to power only by going into coalition, either with the FDP or, as an outside chance (which would be still more of an embarrassment for the Chancellor), in a "grand coalition" with the SPD.

If the CDU does manage, unexpectedly, to retain an overall majority in Baden-Württemberg, Mr Kohl is unlikely to benefit. Mr Lothar Späth, the state Premier, who has adopted an unashamedly anti-Bonn stance in his election campaign, would be likely to reap the reward – strengthening his hand as one of the few possible CDU contenders for Mr Kohl's crown.

In the face of adversity on the domestic stage, Mr Kohl is making use of West Germany's current presidency of the European Community to show increased interest in foreign affairs. Bronzed and hearty after lunch with Mr François Mitterrand of France in a Baden-Württemberg village on Monday, Mr Kohl, untypically, dominated a press conference alongside the unusually drawn figure of the French President.

More practically, the Chancellor has weathered his difficulties so far for three, essentially negative reasons. These are the low credibility of the opposition SPD, especially on economic policies, the fall from grace of rivals within his own party such as Mr Gerhard Stoltenberg, the Finance Minister, and the inability of the FDP to countenance any other coalition partner. All three factors are now starting to look less favourable for the Chancellor.

The most important new element has come from the attempt by Mr Lafontaine, who is the SPD's most likely candidate for Chancellor in the 1990 general election, to build bridges towards the FDP. Mr Lafontaine has dominated political debate in recent weeks by suggesting that unemployment could be reduced if workers accepted pay cuts for corresponding cuts in working hours. His proposals break with the long-standing view of the left that workers' pay packets should not suffer because of gradual cuts in the working week.

Mr Lafontaine's ideas have split the trade union movement and have discomfited the present SPD chairman, the cautious Mr Hans-Jochen Vogel. Some senior SPD figures believe that the Lafontaine proposals – made in the midst of negotiations for shorter hours and a pay rise by public sector workers – could end up driving away the party's traditional working class voters, thus cancelling out any possible benefits of moving closer to the FDP. But Mr Lafontaine's effort to push the SPD towards more pragmatic, market-oriented economic policies seems part of a calculated bid to improve the chances of an eventual alliance with the FDP.

He realises that the SPD can regain power in Bonn only with a coalition partner. He has discarded his earlier idea (broadcast just over a year ago) of a tie-up with the Greens, the ecology party, which has recently drifted away towards the fundamentalist left. Mr Lafontaine seems to have concluded that the choice of partner comes down to the FDP, with which the SPD tends to agree on most foreign and defence policy questions. His pragmatic line has been backed by a number of other, younger economic realists in the SPD. These include Mr Gerhard Schröder, the party's leader in Lower Saxony, and Mr Björn Engholm, who has a good chance of being elected Premier of Schleswig Holstein in the state poll there in May.

The Lafontaine proposals have been a background factor adding to general strains between the FDP and the conservative parties. The FDP has annoyed Mr Kohl in recent weeks by seeking to cast into doubt – for obvious vote-catching reasons – the Government's commitment to nuclear power. There has also been unseemly bickering, involving all three coalition parties, over details of the Government's planned 1990 tax cuts, the financing of which is proving increasingly contentious. Fierce criticism of Mr Stoltenberg over the tax package by Mr Franz Josef Strauss, the Bavarian Premier and CSU leader, who is himself facing a damaging loss of support in his home state, has intensified the picture of coalition fragmentation.

Finally, tensions are still simmering over West Germany's response to the superpowers' arms control moves. Mr Kohl has managed to defuse for the moment the issue of modernisation during the 1990s of US shorter range nuclear missiles stationed in the federal republic. Nato has agreed to postpone a decision on updating these weapons, favoured above all by the US and Britain, but opposed strongly by West German public opinion.

The issue is likely to return to haunt Mr Kohl, perhaps as early as next year. There is strong potential for disruption of the coalition over this issue. The FDP view, put most strongly by the veteran Foreign Minister, Mr Hans-Dietrich Genscher, opposes missile modernisation, in a way which is very close to the approach of the SPD. The conservatives' distrust of the FDP has been voiced by a close aide of Mr Kohl who says he is convinced that the "opportunistic" Liberals are preparing to desert the CDU – which, he says, will ruin the FDP's credibility.

Suspicion, both of the FDP and Mr Kohl, has strongly influenced the CDU's campaign in Baden-Württemberg. "We want to avoid a *Gleichschaltung* (alignment) of Baden-Württemberg with Bonn," says Mr Manfred Rommel, the respected CDU mayor of Stuttgart, Baden-Württemberg's state capital. Partly to put the FDP in its place, he is a firm supporter of a grand coalition with the SPD in the state, if the CDU loses its absolute majority.

The talk of a grand coalition shows how the political sands are shifting. By Sunday night, Mr Kohl should have a better idea of who his friends are – both inside and outside his own party.

OBSERVER

Friends again with Lagos

The rapprochement between Britain and Nigeria is now official. Major General Ike Nwachukwu, the Nigerian Minister of External Affairs, has been in London for most of this week, has had talks with Margaret Thatcher, and is spending the weekend at Chevening, the country residence of the Foreign Secretary, Sir Geoffrey Howe.

The rift took place in 1984 when Umaru Dikko, a former Nigerian Minister, was kidnapped in London with the apparent complicity of Nigerian officials and was found in a crate about to be transported to his homeland.

Signs of repair came when Thatcher visited Nigeria in January at the invitation of President Ibrahim Babangida. The two of them agreed that annual bilateral talks at foreign minister level, which had been suspended after the Dikko affair, should be resumed.

Nwachukwu is a journalist turned military man who became Minister of External Affairs. "Relations between Nigeria and Britain," he said yesterday, "are now back to normal...Nigeria takes Britain very seriously."

He also paid tribute to British help during Nigeria's recent period of economic reconstruction. The Nigerian Government, he said, believes "debts must be paid, but creditors should not wish to strangle you."

Differences persist over policies to South Africa, but Thatcher and Babangida evidently believe they can do business together – a phrase the British Prime Minister once used about her relationship with Mikhail Gorbachev.

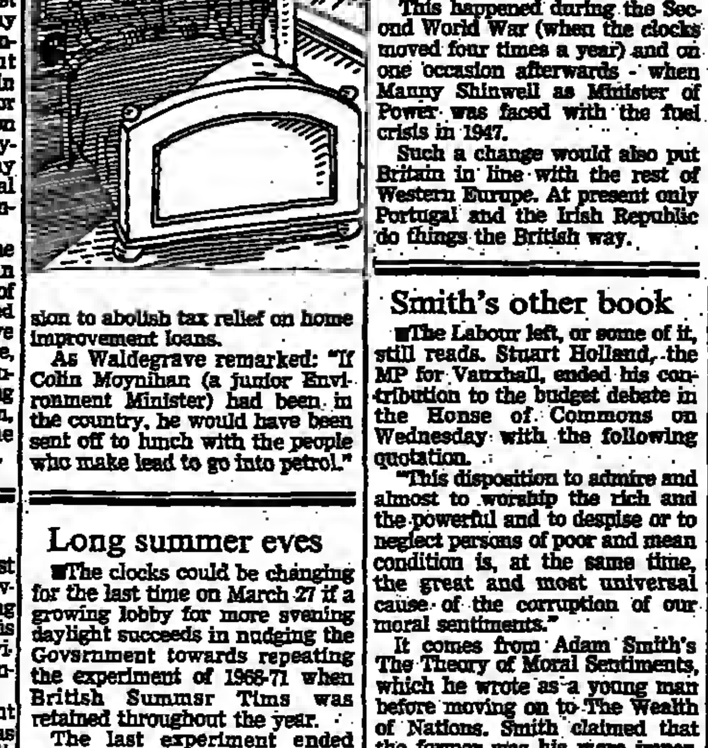
The Nigerian President is likely to visit Britain next year, and possibly sooner.

MacArthur's rules

Quietly spoken and very proper, John MacArthur is a corporate finance man with a pedigree stretching back to before the days when takeover departments in marchant banks became known as the mergers and acquisitions division and when bankers themselves became media figures.

The fact that he has high standards has not prevented him from being involved in some of the more vigorous takeover battles of recent years: he was the man who took the Takeover Panel to court in the fight for McCorquodale; in his Kleinwort Benson days, he acted for for Waddington in the battle against Robert Maxwell, when much play was made of the latter's Liechtenstein connection; and he put Kleinwort's name on the line in support of the al-Fayed offer for House of Fraser – a connection which earned the bank the undying hostility of Lonrho's Tiny Rowland and a continuing legal action, in which MacArthur himself is also named.

But he is a great one for the Queensbury rules, rather than the more flamboyant practices of recent years. It always seemed rather odd that he should have left Kleinwort in the first place, and although he was very enthusiastic about the idea of building a new merchant bank in London, his departure from Pru-Bache comes as no enormous surprise.



In the soup

Some Ministers are not best pleased with Nigel Lawson, having fixed their luncheon speaking engagements months before his Budget statement. Take the Environment Department, for example.

Nicholas Ridley, Environment Secretary and among the ultras in his support of Lawsonite policies, was the guest speaker of the Economic Forestry Group, strong advocates of the controversial tax incentives now abandoned by the Chancellor.

William Waldegrave, the Housing Minister, fared even worse. He went along to face the National Home Improvement Council to face the wrath of those most affected by the decision to abolish tax relief on home improvement loans.

As Waldegrave remarked: "If Colin Moynihan (a junior Environment Minister) had been in the country, he would have been sent off to lunch with the people who make lead to go into petrol."

Long summer eves

The clocks could be changing for the last time on March 27 if a growing lobby for more evening daylight succeeds in nudging the Government towards repeating the experiment of 1968-71 when British Summer Time was retained throughout the year.

The last experiment ended when MPs were swayed by farming and building lobbies whose traditionally early risers said they needed more daylight in the mornings, particularly in the far north. A stronger argument was that the change had led to more road accidents in the morning.

Yet the full statistics revealed that the reduction in evening accidents far outweighed the increase in the morning toll. Moreover, since cows live inside artificially lit sheds for half the year, there seems to be no reason why they could not be milked later, thus destroying the main farming argument.

Dr Mayer Hillman, a researcher with the Policy Studies Institute, has almost completed a nine-month study called Making The Most of Our Daylight Hours. He says we would save £100m a year in energy costs alone if we went onto BST and adopted Double British Summer Time in the lighter months to give us even longer evenings.

This happened during the Second World War (when the clocks moved four times a year) and on one occasion afterwards – when Manny Shinwell as Minister of Power was faced with the fuel crisis in 1947.

Such a change would also put Britain in line with the rest of Western Europe. At present only Portugal and the Irish Republic do things the British way.

Smith's other book

The Labour left, or some of it, still reads. Stuart Holland, the MP for Vauxhall, ended his contribution to the budget debate in the House of Commons on Wednesday with the following quotation.

"This disposition to admire and almost to worship the rich and the powerful and to despise or to neglect persons of poor and mean condition is, at the same time, the great and most universal cause of the corruption of our moral sentiments."

It comes from Adam Smith's The Theory of Moral Sentiments, which he wrote as a young man before moving on to The Wealth of Nations. Smith claimed that the former was his more important contribution. He may have wrong about that, but it was a good shot by Holland.

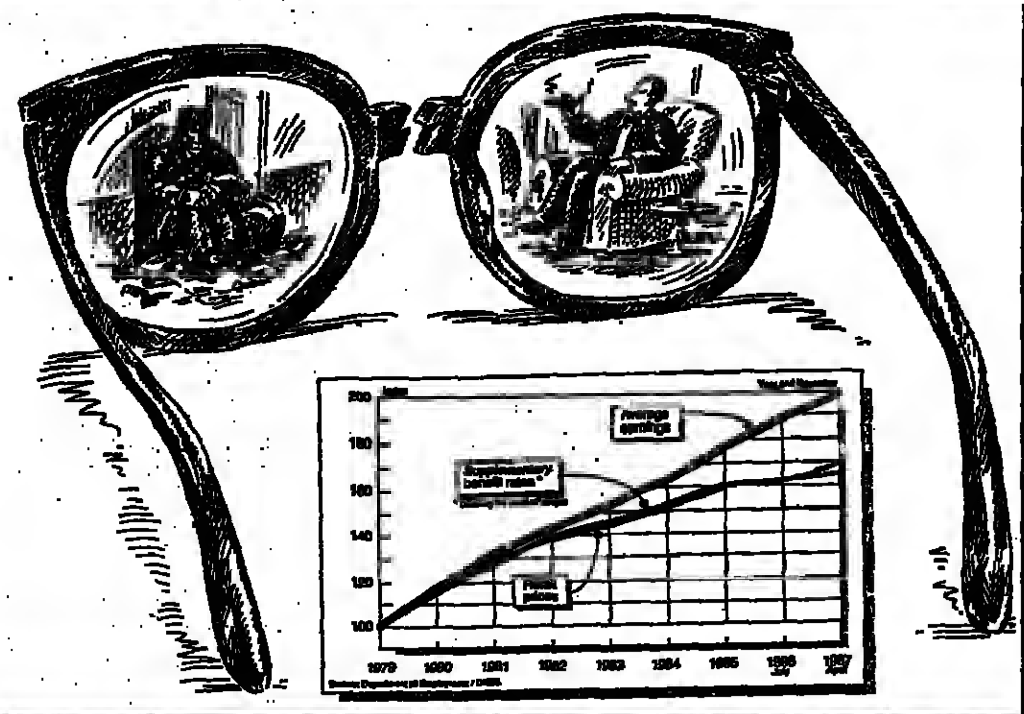
Intensive care

An Oxford club is advertising a talk called The BMA – 156 years old. Someone has added: "Mind you, it's only been kept alive by the doctors."

Politics Today

Putting capitalism on a moral pedestal

By Joe Rogaly



THE PRESENT British Government will never understand the poor. If "never" is too long a time-span, then substitute one that looks as if it will be nearly as long: this Government will not be persuaded by appeals to divert more public money to the relief of poverty until there is an opposition that can challenge it in its own language – the language of success. The lack of such an opposition was made painfully clear in the House of Commons at 5 o'clock on Tuesday afternoon, when the Chancellor of the Exchequer, Mr Nigel Lawson, made his historic pronouncement: "I propose to abolish all the higher rates of tax above 40 per cent" – after which, as Hansard puts it, "grave disorder" arose on the Labour benches and the sitting had to be suspended for 10 minutes.

That grave disorder, those Labour chants of "shame", reflected an anachronistic view of British society. Envy is no longer in fashion. The prevailing belief of most Conservatives is that redistributive taxation hampers growth and reduces the wealth of rich and poor alike. This belief carries all the weight of three successive election victories behind it. Even if we had proportional representation, the likely combination of governing parties would probably keep the top rates of income tax in line with those of our foreign competitors – which means low. Thus notions like "fairness", "egalitarianism" and "social justice" are not relevant to the way of thinking of any government of the foreseeable future. Other abstractions have replaced them. As you might expect, these include "freedom", "enterprise" and "individual responsibility". The most important of all, however, is "success".

Success is what motivates today's Tories. When the Prime Minister speaks of successful enterprises her eyes shine with a particularly triumphant blaze. When the Chancellor surveys his five Budgets it is their overall success that gives him most reason for pride. Even a cursory glance at Tuesday's Budget, and particularly at that astounding 40 per cent, reminds you that it is the most successful who gain the most. The opposition parties regard the condition of the worst-off as the foundation of their analysis of contemporary society; the Government vision begins and very nearly ends with the increasing number of people who can be regarded as successful.

As recently as the start of the present decade such a vision would have been widely regarded as immoral. The Opposition thinks it still is, as Labour's shadow Chancellor, Mr John Smith, made plain in his counter-Budget speech on Wednesday. I suspect that in terms of majority opinion he is wrong. The Chancellor certainly takes this view. In an address to the Centre for Policy Studies in mid-January Mr Lawson asserted that the Government is winning the argument "on the moral level." People had long been prepared to accept that capitalism was effective, he said, but they had recoiled from it because they thought it was somehow morally dubious. It was therefore necessary to put the moral case for capitalism. "At root," he said, "the point is that a society based on freedom is inherently stronger and healthier than a society based on state coercion."

There is no doubt that this new morality has taken firm hold among Britain's Tory politicians, for many of whom it is now a deeply felt conviction. Wider public opinion is harder to assess. For example, opinion polls tell us that an overwhelming majority of voters want more public money diverted to the National Health Service, even at the cost of foregoing the tuppence off the standard rate of income tax that Mr Lawson delivered on Tuesday. Yet those same polls indicate a strengthening of support for the Conservatives. I suspect that for the majority of voters the heady wine of success is irresistible. After all, the successful or near-successful are now the majority.

For the Chancellor this is the key. To his way of thinking the changes that have come about in British society since 1979 are so momentous that they eclipse debates about the condition of the poor. Wider home ownership, wider share ownership, greater wealth for those in work, declining unemployment, lower taxation – the record is indeed impressive. As to the poor – those the Americans call the "underclass" – he can point to the increase in public expenditure on health and social security, to the new social security rules that, in Conservative eyes, concentrate help on those who need it most, and even (for what they are worth) to the initiatives designed to bring private investment to the inner cities. If that is not enough there is the increase in private charity, stimulated at least in part by his own Budgets. Self-interest encompasses the desire to help one's family and one's neighbour, said Mr Lawson in January. "It may be no coincidence that since 1979 giving to charity has doubled in real terms."

An opposition alive to the mood of the times might broadly accept the Conservative picture of the reasonably well-off three-quarters of society, although it would naturally differ on details, as the Democrats do from the Republicans in the US. Such an opposition might even endorse the desirability of a fiscal strategy that included low taxes and the oiling of the capitalist engine of success. There would be plenty of room for debate about how to rescue as many as possible of the remaining quarter from dependency (principally by reducing unemployment).

This kind of opposition would be credible, for it might stand a chance of winning an election. It would therefore possess firm ground upon which to stand and fight hard for further sums for the very worst off. It could speak of elderly folk on state pensions or benefits that may have moved in line with prices but which have lagged behind earnings, or plead for dazed old ladies for whom there is no room in homes and inadequate "community care", large families whose putative breadwinners are simply not able to find work, and the like. It could appeal to the conscience of the successful majority without overtly threatening their success. It could quite reasonably argue that when it comes to real hardship the Conservative vision is marred by a number of blind spots.

For the majority of voters, the heady wine of success is probably irresistible

You just have to pop across the Atlantic to see what I mean. Look at the beggars and the homeless on the pavements of New York: the numbers have grown steadily during President Reagan's period of office. The Americans are much exercised about their "underclass"; some of the Rev Jesse Jackson's appeal in the campaign for nomination as the Democratic presidential candidate has come from his uncompromising support for the neglected sections of US society. A British Labour Party that gained the respectful attention that would come from its acknowledgement of success would carry much conviction if it argued that, over here, economic policies similar to President Reagan's were beginning to produce similar social results.

* * *

If I were a betting man I would give fair odds that Mr Lawson will leave the Chancellorship, and perhaps the Government, before the year is out. He may tell himself that he is far too busy to think about such matters right now, what with the rest of the debate on his Budget for the successful still to come (not to mention the Finance Bill), but when he is on his summer holidays he will have plenty of time for reflection.

The first point that he might ruminate upon is that he has been Chancellor for a long time. By June 11 he will have served for five years, two years fewer than Lloyd George but nevertheless longer than anyone else this century save Neville Chamberlain and Denis Healey – and by the autumn he will have surpassed the latter's five years and two months. Mr Lawson certainly has no desire to see out another full term as Chancellor and his enthusiasm for producing another Budget seems, shall we say, limited.

Much of what he announced this week was in his mind at the time of the 1987 Budget, which led to the Conservatives' victory in the June election. He did not think that pre-election Budget was the right one for such potentially unpopular measures as the doubling of the scale rates against which company cars are assessed, or the removal of the tax advantage of covenanted payments by parents to their children. (He did not raise the ceiling on national insurance payments this time because it would have clobbered much the same people as those hit by company car assessments and covenants.) Now he has been able to put in many of the reforms he has aimed for and wash them down with money. It is a fair assumption that most of the rest, like the abolition of mortgage interest tax relief, will always be vetoed by the Prime Minister.

What about another job in the Government? If he is to be Foreign Secretary the present incumbent, Sir Geoffrey Howe, will have to go to the House of Lords and he is widely reported to be unwilling to do that just yet. To my way of thinking, the Prime Minister's increasing involvement in major foreign policy issues suggests that the only vacant post would anyway be for what should properly be called deputy Foreign Secretary. This is unlikely to attract Mr Lawson.

Very well then, how about Prime Minister? There is an argument for hanging on, just in case, but it is not a very strong argument if you believe that Mrs Thatcher aims to stay in office for the rest of this term, fight the next election and win it and quite probably stay in office after that. It is an even weaker one if you tell yourself that you have never wanted the PM's job badly enough to do all the necessary preliminary work, like cultivating friends within the party.

Of course, no politician of Mr Lawson's stature would refuse a draft. Yet it is difficult for someone as hard-headed as he is to believe in such an event, even when you take into account the recent great increase in the esteem in which he is held in the Conservative Party. No wonder the gossip in the City is that he may shortly be offered the chairmanship of a major bank.

Lombard

The merits of passivity

By Barry Riley

BRITAIN'S pension fund managers have got some explaining to do. It looks as though the year 1987 will go down in the annals of institutional investment management as one of the worst years for performance. Now is the season for ritual excuses, as managers appear before pension fund trustees and review the sorry saga of the year of boom and crash.

It is not just that the overall numbers are bad. The year was, after all, a poor one for equity markets, especially overseas. More worrying is that fund managers, on average, markedly underperformed the theoretical returns available on a typical portfolio. Putting it another way, nearly all of them would have done better to leave their portfolios unchanged as they were at the beginning of January.

Most pension fund investment decisions during 1987 turned out to be wrong. They included the net selling in the first half of the year of gilt-edged and property, which turned out to be the full year's best-performing asset classes. In the summer came the misguided charge into UK equities, as funds mopped up a large number of overpriced new issues ahead of the crash, leaving the average equity exposure (UK plus overseas) at an unprecedented 85 per cent at the beginning of October.

Overseas, the pension fund managers got the Japanese equity market completely wrong; not only were they underweight in this, the year's best-performing major equity market, but they were also concentrated in the wrong stocks. After the crash the fund managers scrambled for what they thought was safety by selling overseas equities and buying gilts. This proved to be a mistake too.

The effects of all these miscalculations are now becoming evident. If the pension funds had obtained market returns on the various asset classes in the proportions in which they held them at the beginning of the year, they would have secured a return of 7 per cent. The actual returns are now being revealed by the big performance measurement services like those of the WM Company and Caps. It looks as though the median may be no more than 2 to 3 per cent.

This gap is a serious matter for pension fund managers. Most of them are "active" managers, that is, they charge a relatively high fee for taking and implementing decisions about the balance of the portfolio between different types of assets and also about the choice of individual stocks. These decisions are supposed to enhance value. But last year inactive or "passive" managers, who charge low fees for duplicating the performance of an index or following some other statistical formula, did much better.

One of the main ways in which active managers hope to outperform is by "market timing". That is, when a market becomes overvalued they will sell it, and buy back in after it has fallen. Many people accepted that the equity market was relatively highly priced last summer. There was much talk of a mature bull market. But hardly any professional fund managers were serious sellers. As a group they bought more heavily as the market went up. Indeed, the market went up because they were heavy buyers. Then came the October crash.

There are a number of reasons put forward for this collective failure. The practice of measuring pension fund performance every three months is, for instance, said to put inappropriate short-term pressure on managers who ought to be encouraged to take long-term views. Moreover, managers see themselves to be in competition with each other, and so perceive it as risky to be out of line with strategies being followed by their peers. Even if they all get it wrong, an average performer will not get the sack.

Or will he? Unless 1987 turns out just to have been an aberration, alternative investment philosophies such as passive management or narrow specialisation may come to the fore. The era of the "active" trend-chaser and median targeter may be over.

Letters to the Editor

Tax incentives for training

From Mr Stephen Fishman.

Sir, Your leader discussing ways of improving our national performance in training (March 4) deserves further comment.

The idea of a statutory requirement for companies to provide their employees with training is particularly interesting. A recent MSC study saw this as inevitable. Commercial pressure will put companies in the position of having to train in order to keep staff, let alone the needs of a business.

Many companies do not train, however, fearing the loss of skilled staff through poaching. This can only be overcome by relating increased skills to pay rises or promotion – something trades unions should consider more fully when negotiating with employers, especially in new technology agreements.

One point your leader writer missed was the important issue of tax incentives. While we do not recommend the French "levée" or payroll tax, the Chancellor could certainly improve national investment in training by offering, say, a 1 per cent rebate from the basic rate of corporation tax to be offset against companies' investment in training.

This was also the recommendation of more than 80 per cent of National Computing Centre members (and over 70 per cent of employers in the public sector who would not benefit directly) in Philip Virgo's study, The IT Skills Crisis – A Prescription for Action.

Let us hope that the Chancellor is aware of this demand. Most people believe it would work, and it would mean that more training would take place.

Stephen Fishman,
Alfred Marks Recruitment Consultants,
ADIA House,
PO Box 1AL,
84-86 Regent Street, W1

Pay-per-view shows demand

From Mr Anthony Simonds-Gooding.

Sir, There are other important perspectives to some of the views raised in your leader ("Time for TV to compete," March 14). Let me take issue on those four with which we have most serious reservations.

The first relates to the availability and cost of choice. You refer to the potential for "three or more extra over-the-air channels" as a technical inevitability. What is not mentioned is that any new terrestrial channels are unlikely to be national, would require a significant reshuffling of radio frequencies, and might even call into question reduced picture quality and interference with existing radio services.

The engineers will argue about just what the extra capacity is, but what cannot be questioned is that Direct Broadcast Satellite (DBS) affords us the opportunity to transmit three high quality television channels with 100 per cent national coverage.

You then suggest that additional terrestrial channels will be the cheapest way to provide extra choice for viewers. But cheaper for whom? British Satellite Broadcasting (BSB) will broadcast three new national channels, for which the cost to the consumer will be purchase of receiver equipment at about £200. As BSB is wholly privately financed, there is and will be no cost to the UK government, the taxpayer or to those not wishing to receive the service. (If there are any lower cost options, let us hear about them.)

Reception of additional terrestrial channels will require some modification to existing aerial and television receivers – at a cost. If pay-per-view were introduced, viewers would need some extra electronics with which to decode the scrambled broadcasts – at a cost.

And then there is consumer sovereignty. I wholeheartedly agree that pay television will provide an expression of viewer demand far more directly than advertising or tax financed channels. That is precisely why a pay-per-view capability was central to BSB's application for the UK DBS franchise; it is also why BSB will be introducing pay-per-view services very soon after our launch late next year, for the screening particularly of major live events from around the world. Pay television is not only a highly accurate means of gauging consumer demand, but also a valuable source of income.

However, the reason why pay television could more easily be introduced on new terrestrial systems as opposed to DBS escapes me.

Finally, I must take issue with your comments on unrestrained competition for broadcasting. The Government is still formulating its future broadcasting policy. By the end of the decade the UK's existing broadcasting ecology will have changed out of all recognition – and be better for it. The issue is how best to make that journey.

We must ensure that, by going for more now, we do not end up with less later. De-regulation must not mean destabilisation and the consequent dropping of quality and standards.

Anthony Simonds-Gooding,
British Satellite Broadcasting,
14 Old Park Lane, W1

Effort to improve UK training performance

From Mr Mike Webber.

Sir, Non Statutory Training Organisations (NSTOs) must have felt discouraged by your inaccurate reporting of the findings of the Institute of Manpower Studies (IMS) survey of NSTOs (leader, March 4).

The IMS did *not* find that half of the NSTOs were ineffective. It surveyed 90, found "a solid core of at least 56 effective NSTOs", a further eight effective in their own sector only, 15 marginally effective, and 11 ineffective.

The figure of 2.5m employees covered by ineffective NSTOs appears nowhere but in your article. The IMS report estimates that 5m employees are covered by NSTOs, and adds: "The vast majority – perhaps 75 per cent – of these employees are covered by effective NSTOs. The marginal and ineffective NSTOs were mainly in sectors with relatively few employees."

As the IMS report makes clear, most NSTOs are working hard and effectively to achieve improvements in the UK's training performance.

Mike Webber,
Biscuit Cake and Confectionery Alliance,
11 Green Street, W1

UK and EC should tick as one

From Mr H.A. Lamotte.

Sir, The Royal Society for the Prevention of Accidents seeks to prevent the clocks being put back in the autumn. It claims that darkness coming earlier kills or injures over 500 people a year.

Why not harmonise the clocks with those of the European Community? This would help business on both sides of the Channel and should save even more lives.

H.A. Lamotte,
Cardinal House,
39-40 Albermarle Street, W1

Workplace training may be preferable to fulltime vocational schooling

From Mrs Alison Wolf.

Sir, Most people would agree that formal tests are poor predictors of job performance, while emphasising our need for high levels of basic education. However, increasing the length of formal education will achieve little on its own. Average amounts of schooling are not all that closely related to countries' economic growth; and many of our own educational ills are ascribed to the years since the school-leaving age last rose.

I am concerned that the National Institute of Economic and Social Research (NIESR) report on engineering training may be used to argue that training is best provided in fulltime schools of the French (though not the German) kind. In fact, such institutions can hardly avoid becoming out-of-date. They can rarely afford to update equipment. Their teachers become increasingly out of touch with industry. The more obsolete the teachers' skills, the more incentive they have to remain in teaching – and to campaign to maintain their student numbers. In France itself there is great concern that pupils are being taught outdated skills.

Most skilled occupations have a core of general expertise required in almost all workplaces, plus a range of skills which matter to particular firms. Skills which are not practised are soon forgotten; and in modern industry may soon be simply obsolete. It seems appropriate for formal or "off-the-job" training to concentrate on really thorough instruction in the former area, and leave the latter to firm-specific training.

I would therefore re-emphasise that mastery of a few crucial skills is generally more important than a passing acquaintance with many. This is not the same as preferring one or two narrow skills, directly required by employers, to broader technical understanding and competence. I do not know how such French tests are marked; but in many traditional English exams, one could accumulate 50 per cent by getting parts of each item correct – and no item fully so. Fortunately, government policy now encourages all UK vocational accrediting bodies to demand full, and separate, demonstrations of competence in given skills.

As your recent correspondence shows, Miss Hilary Steedman of the NIESR and Mr Roy Grantham of Apex agree with me that there remains a great deal wrong with basic, vocational and technical education in this country. I remain unconvinced that the French model of full-time vocational schooling should be preferred to one in which workplace-based training and assessment play a major role.

Alison Wolf,
University of London Institute of Education,
20 Bedford Way, WC1

FINANCIAL TIMES

Friday March 18 1988

Packer, Brierley in Bell Resources bid

BY CHRIS SHERWELL IN SYDNEY

SIR RON BRIERLEY and Mr Kerry Packer, two of Australasia's best-known entrepreneurs, yesterday teamed up to make an A$825m (US$605.7m) bid for Bell Resources, the key company in the empire of Mr Robert Holmes à Court, a long-standing rival.

The move follows heavy buying of Bell Resources shares in the past two days, and no one missed the irony last night in the controversial world-class corporate raider being ambushed by his rivals when he is most vulnerable.

Industrial Equity (IEL), Sir Ron's Australian company, and Mr Packer's Consolidated Press Holdings launched the bid through a joint venture company called Turnbridge. It aims to halt an A$685m offer by Bell Resources for Bell Group through which Mr Holmes à Court, battling to recover from his mauling in last October's stock market crash, is seeking to combine his two main quoted vehicles.

In a five-paragraph "Dear Rob" letter to the Perth financier, the New Zealand-based Sir Ron said yesterday that the resolution approving the Bell Group bid, which is being submitted to Bell Resources shareholders at an extraordinary meeting next Wednesday, should be defeated or withdrawn.

"We do not consider the proposed acquisition of the Bell Group on the terms announced is in the best interests of Bell Resources shareholders and a cash offer is a far more logical and attractive alternative," the letter said.

The Turnbridge move follows the revelation earlier this week of sharp profit falls by the Brierley empire and an estimated A$2.6bn in paper losses as a result of the stock market collapse. In Mr Packer, however, Sir Ron has a partner who is flush with cash after selling his broadcast media assets for A$1.05bn last year, at the height of the market.

Bell Resources, after massive asset disposals, retains a 10 per cent stake in Broken Hill Proprietary, Australia's largest company, as well as other oil and coal interests. Bell Group assets include Associated Communications Corporation in the UK and a 14.9 per cent stake in Standard Chartered Bank, the UK based group.

Turnbridge is offering A$1.50 a share for Bell Resources, whose shares closed at A$1.35 before the news. The offer – which still falls well below asset backing of A$2.30 to A$2.40 a share – is subject to two conditions: that Mr Holmes à Court's February 29 bid does not proceed and that Turnbridge wins more than 50 per cent control.

Bell Resources is offering one of its shares plus A$1 cash for stock in Bell Group, which owns an estimated 40 per cent of Bell Resources. Bell Group is in turn about 43 per cent owned by Heytesbury Securities, Mr Holmes à Court's private company.

The effect of his own takeover proposal would be to give Heytesbury around A$130m of much-needed cash and leave Mr Holmes à Court with a significant 25 per cent stake in Bell Resources.

But in recent days, while he has been travelling abroad to sell his plans to institutional shareholders, turnover of Bell Resources shares has soared, with 20m traded on Wednesday and another 6m yesterday.

Assuming Turnbridge has been behind this and earlier buying, it has now built up a stake of some 5 per cent in Bell Resources.

The outcome of Washington's Irangate affair is far from certain, reports **Lionel Barber**

Presidential pardon poses a dilemma

THE CRIMINAL charges filed this week against two former senior White House aides, Marine Lt Col Oliver North and Rear Admiral John Poindexter, and two other participants in the Iran-Contra affair, amount to the most serious indictment of US government corruption since the 1974 Watergate scandal.

The 23 charges bring to a head the 15-month investigation by a court-appointed special prosecutor, Mr Lawrence Walsh, which spanned three continents. And yet, for all the furore surrounding the case and its implications for the conduct of US foreign policy, its outcome remains very difficult to predict.

The Iran-Contra scandal centres on the secret White House operation to sell arms to Iran in exchange for American hostages in Lebanon which then grew into a scheme to divert the profits to the Nicaraguan Contra rebels during a 1984-86 Congressional ban on US military aid.

Thus far, thanks to the partisan Congressional hearings last summer, the scandal has been painted as an historic political struggle between the Executive, headed by the President, and the US Congress, each claiming power over foreign policy-making.

The charges filed on Wednesday by Mr Walsh make no such high claims. They presume private profiteering at the expense of the public interest; in short, criminal behaviour by Col North, Mr Poindexter and the two middlemen in the affair, retired US Air Force Major General Richard V. Secord and the Iranian-American arms dealer, Mr Albert Hakim.


North: 'We will win'


Poindexter: carrying out orders

Because Col North and Mr Poindexter's main defence is that they were carrying out President Reagan's orders, one thing is certain – their lawyers will mount lengthy legal challenges which could postpone a trial until early next year, after President Reagan leaves office in January.

Shortly after he was indicted on 16 charges ranging from fraud to obstruction of justice and receiving illegal gratuities, Col North told reporters in Washington: "I will never give up." He vowed in that familiar melodramatic voice: "we will win."

Col North's terrier-like lawyer, Mr Brendan Sullivan, was even more specific, threatening to call upon high-level US government officials to testify if the case ever came to trial.

Mr Sullivan's comments amounted to the clearest appeal yet to Mr Reagan to use the broad presidential powers granted by the US Constitution to pardon the defendants.

Mr Reagan himself has declined to show his hand; but few doubt that he still believes that his two senior aides who, with Mr Secord, have distinguished military records, did not break the law.

The problem is that the pardon itself – rather than a trial in the remote future – has become a political issue in the US; all the more so because of this year's presidential election campaign and the still unanswered questions about the role of Vice President George Bush, the clear favourite for the Republican party's nomination.

If Mr Reagan plunges ahead with a pardon, he risks accusations that he pre-empted a criminal trial to protect Mr Bush against a Democrat nominee seeking to capitalise on the scandal during the election campaign.

There must be a good chance that he will wait until after the November election, which would make the pardon one of his final – and most delicate – decisions before leaving the White House.

The legislative consequences of the Iran-Contra scandal are of more immediate concern. This week, the Senate overwhelmingly passed a bill which requires a president to notify Congress within 48 hours of approving any covert action (such as the secret supply of arms to Iran).

The bill represents a considerable tightening of intelligence oversight laws and is a further encroachment by Congress on the President's powers to run foreign policy, according to White House, CIA and Senate opponents.

Despite the drama surrounding the fate of the four defendants and Mr Walsh's promise of further Grand Jury investigations into other Iran-Contra figures, the long-term significance of the affair will lie in any further institutional change in the balance of power between Congress and the Executive on foreign policy-making.

UK interest rates cut as Lawson moves to stem £

By our Economics and Political Staff

BRITAIN'S leading banks yesterday cut their base rates by 0.5 percentage points to 8.5 per cent as Mr Nigel Lawson, the Chancellor of the Exchequer, sought to stem a post-Budget surge in the pound's value.

The move was signalled by the Bank of England after the pound rose above DM3.10 on foreign exchange markets.

It prompted suprise and confusion in financial markets, where the pound initially fell sharply before recouping much of its earlier gains in later trading.

Gilt-edged prices fell by up to ¾ of a point amid concern that lower interest rates may rekindle inflationary pressures.

The decision to reduce borrowing costs suggests that Mr Lawson has re-established his control over exchange rate policy following his widely publicised differences over exchange rate policy last week with Mrs Margaret Thatcher, the Prime Minister.

After Tuesday's Budget the Chancellor responded to questions about the Government's commitment to exchange rate stability by saying that actions were more important than words.

Mrs Thatcher said the strong financial and economic position shown by the Budget had made possible the cut in interest rates yesterday which she had publicly resisted last week. Circumstances had changed as the result of the Budget and following the pound's rise.

In a BBC radio interview Mr Lawson said it was important for British industry to feel there would be a reasonable degree of stability in the exchange rate. He also repeated his view that any further significant rise in sterling value against the D-Mark was unlikely to be sustainable.

The official explanation of the base rate cut was that monetary conditions in the economy had tightened as a result of the pound's appreciation in recent weeks, leaving scope for a reversal of the 0.5 point rise in interest rates early last month.

The Treasury, however, dismissed any idea that it had fixed a new ceiling.

Following the decision to allow sterling to rise above the previous unofficial DM3.00 two weeks ago, the authorities do not want to be seen as defending any particular level for the pound.

Mending fences, Page 12

THE LEX COLUMN

Acting funny over sterling

It has all the makings of a good old-fashioned Punch and Judy show. In the opening scene the Prime Minister bats the Chancellor on the head for daring to suggest that it might be necessary to cap sterling's rise. Both sides then make up their differences in the interests of a happy Budget, and now the Chancellor has bounced back with an interest cut, just when the audience was looking the other way. One has to wonder what terrible tricks the Prime Minister will use to regain the initiative.

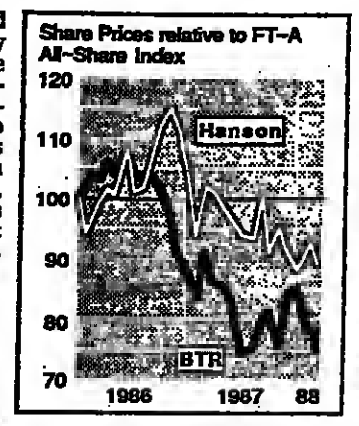
It would all be good knockabout fun, if it did not underline the Government's embarrassing policy muddle. Interest rates are now lower than the authorities would like, the exchange rate is higher than they would like, and there must be a feeling among the more tidy-minded Treasury mandarins that the events of the last week could have been better stage-managed. The official line is that the drop in interest rates is needed to offset the tightening caused by the recent appreciation in sterling. This might make sense to the economists, but it is not the sort of message that will stop the current consumer lending boom.

The good news for the markets is that the Chancellor appears to have regained the policy initiative and is adopting a pragmatic approach to exchange rate policy. The weakness at the long end of the gilt market yesterday indicated some nervousness about a resurgence of inflationary pressures down the line, but equities should be heartened by the fact that someone in Government, at least, is anxious to prevent industrial profitability being destroyed by a sharp upwards move in the exchange rate.

While there will no doubt be some squeals, industry can probably live with current exchange rates, but if the pound were to test the DM3.15 level, serious pain would begin to be felt. It is unlikely that yesterday's half point cut in base rates will have quelled the speculator's appetite, and while yesterday's US trade figures point to a continuing calm period ahead for the dollar, the same cannot be said for sterling given its very obvious interest rate advantages.

BTR

BTR's full year profits of £590m pre-tax might have fallen short of market forecasts, but the company seems in good enough spirits. Certainly, a closing sterling rate of $1.88 is a formidable barrier after $1.48 the year before; but as the effect was purely one of translation, margins – still BTR's chief operational yardstick – were able to rise by over a point to 15 per cent. On the previous pattern, this might suggest another big acquisition. Margins stood at 17.5 per cent back in 1983, were then halved with the purchase of Tilling, and reached 12 per cent before being knocked back again by buying Dunlop. But to the extent that BTR needs low-margin fodder to produce its earnings growth, the immediate outlook may be disappointing; the present plan seems to be one of modest infilling, of the order of £200m, rather than a Pilkington-type blockbuster.



This is not to say that growth is ruled out. In organic terms, BTR has never been a volume-led company, but aims rather to move sales in line with inflation. If another point can be wrung out in margins this year, as seems possible, pre-tax profits could be not far short of £700m. At 262p, this puts the multiple in line with the market, and a point above Hanson. There seems no special reason why BTR should be rated higher than British industry as a whole, but it scarcely deserves to be rated lower either.

Morgan Grenfell

It had been expected that the new management team at Morgan Grenfell would use the occasion of the 1987 results to do some necessary house-cleaning. Nevertheless, a more than one third drop in full year pre-tax profits, after stripping outspecial items, to £52m is a shade disappointing. In the event, it was not the group's UK equity business, which lost less than £10m for the full year, that was the surprise. The important fund management business did poorly, and despite retaining its leadership position, the corporate finance side turned in lower earnings. Finally, the group got its fingers burned in the US risk arbitrage business in the aftermath of the Crash when it was left holding stakes in aborted takeover candidates.

The group should be able to make a healthy recovery in the current year, but it is unlikely to beat the £82.2m earned in 1986, and longer term questions persist about its strategy and unstable shareholder base. While Morgan's continued commitment to the securities business should be given the benefit of the doubt, the longer term commitment of some of its major shareholders remains an issue. Indeed, the current lowly valuation of its shares, which are yielding well over 5 per cent, is probably the main reason why some have not yet sold out.

Rowntree

While Rowntree's sale of its snack businesses plainly counts as a defeat, a breakthrough may finally be coming on another front. Yesterday's results show a quarter of sales in the retained business now coming from confectionery in continental Europe, which last year produced volume growth nearly twice the group average at 11 per cent. Granted, margins were still a pitiful 3.7 per cent, but the improving trend affords a fair gearing opportunity on sales of £300m. And while there is a modish touch to Rowntree's new emphasis on 1992, the group is certainly entitled to point out that its half dozen big pan-European brands put it in a position which others have still to aim at.

The rebuff in snacks seems also to have served as a reminder that in the short term at least, big brands are bought, not made. Assuming the disposals clear the balance sheet of debt, it looks as if there is plenty of scope for buying children's confectionery brands in the US, and perhaps chocolate brands in Europe. In the context of increasing concentration in the food industry, it seems sensible for a medium-sized company to concentrate in this way on areas of comparative advantage. It also suggests a rate of growth which is modest, but unusually solid; if Rowntree makes £125m this year, the shares at 460p are on 10.5 times earnings, which in price relative terms looks perfectly defensible.

US trade deficit rises to $12.4bn in January

Continued from Page 1

fall in aircraft deliveries, which declined by $510m (55 per cent).

There was also a sharp percentage fall in exports of petroleum and petroleum products, but imports were up.

Comparison with January 1987, eliminating seasonal factors but not price increases, show imports up by $6.2bn (22 per cent) and exports by $5.6bn (33 per cent).

Growth was particularly strong (40 per cent or more) in office machinery and industrial and electrical power plant.

Car imports, though down from December, were some 15 per cent above their January 1987 level.

Imports from Japan rose only slightly, and volume appeared to be sharply off. Canada, Korea and Mexico are among the import sources still showing some real growth.

US TRADE ($bn)
Three-month moving averages

	Imports	Exports	Balance
1988			
Jan	36.3	23.6	-12.7
1987			
Avg	35.3	21.1	-14.3
Dec	37.2	23.4	-13.8
Nov	36.3	22.2	-14.4
Oct	36.8	21.0	-15.6
Sep	36.1	20.7	-15.4
Aug	36.7	20.8	-15.9

Cockfield in new bid to speed up EC internal market plans

BY WILLIAM DAWKINS IN BRUSSELS

AN AMBITIOUS campaign to put the European Community's efforts to scrap all market barriers by 1992 back on schedule was outlined yesterday by Lord Cockfield, the European Commissioner for the internal market.

He promised in the Commission's annual report on the progress of its 300-point plan to create a free single market to table practically all of the outstanding proposals by the end of December. The EC's 12 member states would then have four full years to act on them.

Brussels has so far put forward 208 market-opening measures in just under three years since the internal market campaign began. This means that member states will be faced with well over 60 more – an unprecedented avalanche of EC legislation – if Lord Cockfield is to meet his target of publishing 90 per cent of the programme by the end of the year.

The most important Commission proposals on the way include liberalisation for public procurement in telecommunications, transport, energy and water; common rules for banks' solvency ratios; opening up life and motor insurance; EC-wide controls on the conduct of takeover bids; legal protection for computer software and biotechnology inventions; and a raft of animal and plant health regulations.

The aim, says yesterday's report, is to make the attainment of a single European market "irreversible" by the end of the year. The whole programme has to be agreed by the Council of Ministers', the EC Governments' joint decision-making body, which has so far adopted just 69 of the 208 market-opening measures before it.

It is in the process of agreeing on six more, leaving a backlog of 126 proposals waiting for the go-ahead from ministers. The remaining five have been scrapped or have become outdated, a Commission official said.

The market-opening measures already put forward by the Commission but blocked by member states include controversial plans for common VAT rates, liberalisation of road haulage, common marketing and health rules for food and drink, the easing of restrictions on people's right to live and work in different EC countries and the opening up of coastal shipping.

Many of these are being held up by Governments' attempts to defend national interests, such as Britain's instinctive reaction to the threat to its fiscal sovereignty posed by the Commission's VAT approximation package, or West Germany's anxieties over exposing its road haulage industry to foreign competition.

Key US regulators still divided post-crash

By Janet Bush in New York

THE TWO key US regulatory bodies examining ways to tighten intermarket coordination and dampen volatility in response to the October stock market collapse appear to be as far from a consensus for concrete action as ever.

This was the overriding message of testimony yesterday to the Senate Agriculture Committee by Mr David Ruder, chairman of the Securities & Exchange Commission, and Mrs Wendy Gramm, chairwoman of the Commodities Futures Trading Commission, the two key agencies that oversee the securities and futures markets respectively.

Also testifying yesterday was Mr Nicholas Brady, who led the Presidential task force set up to review the crash. Mr Brady reiterated an earlier warning that the financial markets remained highly vulnerable to another crisis.

He acknowledged that very useful first steps had been taken but that the various regulatory authorities and exchanges had still to agree on a comprehensive approach.

The testimony makes depressing reading for the Administration, which earlier this week announced it was setting up an inter-agency committee to try to develop a consensus on regulatory changes to prevent another stock market crash.

Both Mr Ruder and Mrs Gramm testified that while the various exchanges and regulatory authorities had individually taken significant measures since the crash, progress overall had not been substantial.

During numerous meetings between agencies in recent weeks, there has been no closing of the gap on the key question of higher margin requirements in the futures markets, favoured by the SEC but vigorously opposed by the CFTC.

Mr Ruder yesterday appeared to signal that the SEC had all but given up its stand on this aspect.

Prudential Bache chairman resigns

Continued from Page 1

on fee-yielding transactions and Mr MacArthur's insistence, more in line with City of London tradition, on building long-term relationships with clients.

He is also believed to have found the US head office exerting more direct control over the British operation than he had been led to expect when he was appointed in July 1986.

The restriction inherent in Pru-Bache's US-imposed worldwide ban on advising hostile takeover bids is also unlikely to have pleased Mr MacArthur, whose record included Kleinwort's vigorous and successful defence of Waddington, the games company, against a bid by Mr Robert Maxwell, the British publisher.

Mr William Hulton, London-based head of Pru-Bache's banking activities for continental Europe, has taken over Mr MacArthur's responsibilities.

World Weather

Ford cancels plan for plant

Continued from Page 1

chief executive who was told of the decision by Ford executives yesterday afternoon said they gave no indication that the plan for the plant could be resurrected. Union officials said they thought there was little hope that the company would change its mind.

The SDA, Scottish politicians, and trade union leaders put the blame for decision firmly with the unions which had opposed the agreement.

Mr Ian Lang, the Scottish Industry Minister, denounced the unions for behaving like "some boneheaded prehistoric monster" which had blundered in to wipe off what should have been a major success story for the Scottish economy. He accused the unions of inflicting a devastating blow on the region's economy.

Mr Robertson said: "We are devastated by this news. The unions cannot side-step the blame for the loss of this project."

Mr Rifkind said it was tragic that inter-union squabbling had wrecked a project

FINANCIAL TIMES
Friday March 18 1988

American Standard plans $2.5bn defensive buyout

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN STANDARD, the US plumbing fixtures group which has been fighting off a bid from Black & Decker, the tool group, yesterday announced a plan to go private in a $2.5bn leveraged buyout.

The $78 a share bid, which will involve a 20 per cent equity participation by the company's employees through an employee stock ownership plan (or Esop), is being organised by Kelso & Company, a New York investment firm specialising in leveraged buyouts.

Kelso will supply $250m in common equity, with the rest of the financing coming from a $1.8bn Bankers Trust syndicated credit and a bridging loan to be provided by First Boston, Kelso's financial advisers.

Black & Decker, the US power tools group, which had been widely expected to raise its $73 a share bid for American Standard, had no immediate comment on Kelso's offer.

But arbitrageurs on Wall Street took the view that the buyout, which has been sealed through a definitive merger agreement between Kelso and the American Standard board, may have concluded the bidding contest. American Standard's shares rose $1⅛ to $76⅝ yesterday morning, suggesting the market did not expect a higher offer.

The buyout, if it goes ahead, will not yield a large profit for Black & Decker, in spite of the fact that American Standard's shares traded at only $38 when Black & Decker's original $56 a share bid was announced in January.

Black & Decker did not have a large shareholding in American Standard before launching its bid in January and is not believed to have bought shares heavily in the market since then.

For Kelso, a firm founded in 1970 by Mr Lewis Kelso and now managed by Mr Joseph Schuchart, the deal with American Standard represents the latest and biggest in a string of more than 20 buyouts it has organised since 1980.

The privately-held partnership's biggest transaction to date has been the $800m acquisition of Blue Bell, the maker of Wrangler jeans, in 1980.

Kvaerner Industrier advances

By Karen Fossli in Oslo

KVAERNER INDUSTRIER, the Norwegian industrial group, has increased profits after extraordinary items from NKr272m to NKr399m ($63m) for 1987. Earnings per share were 23 per cent higher at NKr26.65.

The group's extraordinary gains were boosted by disposals – NKr66.9m from the sale of shares in Saga Petroleum and NKr96m from the sale of a stake in a ship and shares in Kvaerner Shipping.

Group turnover improved to NKr5.72bn from NKr5.49bn. Order backlog climbed to NKr5.7bn from NKr3.3bn the previous year.

Kvaerner said results for 1988 were expected to show an improvement over 1987. The dividend is being maintained at NKr3.75 a share.

New product launch by Philadelphia SE

BY JANET BUSH IN NEW YORK

THE PHILADELPHIA Stock Exchange yesterday unveiled a product which would allow investors to trade a basket of shares without having to buy options or futures contracts on any of the major stock market indices.

The exchange filed with the Securities and Exchange Commission two weeks ago for approval to offer investors the product – called a Cash Index Participation contract or CIP – and expects clearance to start trading sometime after May.

Like an individual share, the CIP has no expiry date as an option or futures contract has, and will attract quarterly dividends.

The CIP is based on a theoretical basket of stocks and settlement is in cash - actual stocks are not involved in any transaction.

Initially, two kinds of CIPs will be available. One will be based on the Standard & Poor's 500 share index and the second, to be called the Blue Chip CIP, will closely reflect the Dow Jones industrial average.

Subject to approval, CIPs will be regulated by the SEC and issued by the Options Clearing Corporation.

The Philadelphia exchange has been working on this product for two years but its announcement comes at a time when the concept of trading baskets of stocks has gained credibility and popularity.

Mr Joseph Rizzello, senior vice president of marketing at the exchange, said the advantage to the private investor of trading the stock market through CIPs was that they were an uncomplicated and relatively cheap vehicle.

Tandy to buy laptop computer pioneer

By Louise Kehoe in San Francisco

TANDY, the US computer group, is to buy Grid Systems, the California-based company that pioneered the market for lightweight portable personal computers called laptop computers, for at least $55m in Tandy stock.

The agreement, which surprised observers, who had expected that the eight-year old Grid group would eventually go public, includes provisions that could give shareholders of privately owned Grid up to $32.5m in additional stock payments through 1990, if it meets earnings targets.

Grid specialises in high performance portable computers and has won a reputation as the leader in its market. Grid's machines are widely used by accountants, salesman and others whose work involves extensive travel.

The company has also won major contracts from the US military. It had 1987 sales of $67.5m.

For Tandy, the acquisition is seen as a move into the upper end of the personal computer market. Through its Radio Shack retail stores, Tandy is a leading personal computer seller but has, to date, focused primarily on the low-cost end of the market.

Digital backs lower earnings estimates

DIGITAL EQUIPMENT, the US computer group, said reduced estimates of third-quarter and fiscal 1988 earnings by several Wall Street brokerage houses were "more reasonable" than earlier ones."

It said estimates of between $10 and $10.25 a share for the year were more reasonable.

Andrew Baxter examines unusual activity in Alberto-Culver stock

Shy suitors woo Molly McButter

IS THERE, or is there not, a suitor for the hand of Molly McButter? Mr Leonard Lavin, his wife Bernice, daughter Carol and son-in-law Howard – all of Melrose Park, Illinois – would like to know.

Molly, or Molly McButter All Natural Butter Flavor Sprinkles, is described modestly, if somewhat tautologically, by her creators as "one of 1987's most unique grocery products." And at just four calories per serving, it is a little less of a mouthful than the full name would suggest.

The butter substitute "is most flavorful when sprinkled on hot moist food such as baked potatoes, rice, noodles and vegetables," enthuses the 1987 annual report of Alberto-Culver, the US toiletries group.

It joins Mrs Dash, the salt substitute, and Baker's Joy flour and oil baking spray among the expanding household/grocery product range at the medium-sized US company, best known for its Alberto and VO5 hair care items.

Last week saw hectic activity in the company's stock on Wall Street, with the shares reaching new highs amid rumours that Mr Ronald Perelman, Revlon owner, or Sunstar, a large Japanese household products company that makes Alberto products under a licensing agreement, was making a run at the company.

But with no bidder emerging, the company's B shares fell back some 10 per cent, to $33½ on Wednesday, leaving analysts divided over the significance of trading volumes 10 times higher than normal.

They agreed, however, that any hostile takeover would be difficult. Alberto has been a public company since 1961 but is in many respects a family firm. Mr Leonard Lavin, chairman and chief executive, bought the original VO5 company in 1955 and has since built it into a worldwide toiletries group with sales of $514.5m in the year ended September 30.

His wife Bernice is vice-president, secretary and treasurer, while his daughter Carol is vice-president for new business – and had the original idea for Molly McButter. Between them the family have 46 per cent of the B shares, which have full voting rights, while the smaller class of A shares have one-tenth of a vote each.

The company remains mystified by the share price movement. "We don't know what was behind it. We think it simply was rumours," said Mr Howard Bernick, executive vice-president and Mr Lavin's son-in-law, this week. Alberto had not been contacted by any prospective suitor.

The Wall Street activity coincided with a European trip by Mr Bernick, in which investors in the company were given a taste of what might attract a potential acquirer.

Earnings rose 37 per cent last year to $18.2m on an 18 per cent increase in sales, and a similar profit rise is expected in the current year. Sales growth of between 15 and 20 per cent is expected in the company's most successful divisions, of which the most important is the professional hair care side.

Two problem areas, however, are the international division, where the company had a $4m operating loss last year after marketing problems in the UK, and the household/grocery products sector, where profit margins are running at about a third of the company's 12½ per cent target.

Unruffled by the bid rumours, the company has acquisition plans of its own. It failed last year in a $132m bid for Lamaur, a rival US hair care group, but Mr Bernick said a number of possible acquisitions were becoming available.

European gastronomes, it can be revealed, will have to wait to try Molly McButter. Alberto "would like to bring it over," said Mr Bernick, but at present wanted to concentrate on its toiletries for the international market. As for those bid rumours, perhaps – like Molly – they should be taken with a pinch of salt.

Imperial Oil buys Ocelot gas assets for C$370m

BY ROBERT GIBBENS IN MONTREAL

OCELOT INDUSTRIES, a troubled western-Canadian energy and petrochemicals group, plans to sell nearly all its Alberta oil and gas assets to Imperial Oil, the Exxon subsidiary, for about C$370m ($296m).

The sale is an important step toward returning Ocelot to financial health. Last December, Imperial Oil took over another troubled energy company, Sulpetro, for C$680m.

Ocelot said C$80m of the sale price depended on future natural gas prices. The proceeds will reduce its C$770m debt.

The group's oil and gas assets in British Columbia and Saskatchewan are not affected.

In the nine months ended September 13, Ocelot had a loss of C$42m against a C$65.4m shortfall a year earlier.

Ocelot will also keep a large methanol plant.

● The Charles Bronfman family of Montreal, with two associates, has set up a European-type merchant bank in partnership with the National Bank of Canada, the country's sixth largest chartered bank.

Mr Charles Bronfman is co-chairman of Seagram, the world's largest distiller, and brother of Mr Edgar Bronfman, the Seagram chairman.

National Claridge is a 50-50 joint venture between Claridge Investment, a leading Bronfman holding company, and the bank.

Steady performance for Nordic Investment Bank

BY OLLI VIRTANEN IN HELSINKI

NORDIC INVESTMENT Bank, the financing institution jointly owned by the five Nordic countries, has reported a net income of SDR34m ($46.5m) for 1987, virtually unchanged from 1986. The figures follow the writing off of SDR8m to cover credit losses from loans to Kongsberg Vapenfabrikk, the financially troubled Norwegian defence group.

Kongsberg had defaulted on payments since June 1987. The provision, which covers 70 per cent of the total credit to the company, is the first ever credit loss for the Helsinki-based bank in 18 years of operation.

NIB's lending of SDR571m also equalled the 1986 level. Total credit outstanding grew by 33 per cent to SDR1.9bn. The balance sheet at the end of 1987 stood at SDR3.1bn, up 30 per cent on 1986.

NIB's interest margin grew by 13 per cent to SDR41m. The Nordic countries doubled the bank's share capital to SDR1.600m in August last year and this also doubled its authorisation for lending to Nordic clients to SDR 4,000m.

In addition NIB has authorisation to lend up to SDR700m for international project investments. Furthermore NIB plans to establish a Nordic Development Fund of SDR100m in summer 1988 to act as a vehicle for financing joint programmes in developing countries.

Deutsche Babcock raises dividend on profits upturn

BY DAVID MARSH IN BONN

DEUTSCHE BABCOCK, the West German engineering and machine tools group is making use of an increase in profitability to boost its dividend to shareholders for the year ended September 1987.

Mr Helmut Wiehn, chairman, expected "continuing positive results" this year, but he was "still not satisfied" with the increase in dividend, at DM5 per share for the ordinary shares and DM5.50 for preference, compared with DM3 and DM3.50 respectively last time.

The company, which is recovering from several lean business years and considerable restructuring, is also taking action to guard against unfriendly shareholders building up a block of shares. The annual meeting next month will vote on a new regulation proposing to limit individual shareholders voting rights to 5 per cent of its capital.

Deutsche Babcock, which is building up growing specialisation in the energy and environmental businesses, said it saw increased opportunities for environmental technology orders in east and western Europe as well as the US.

Babcock group net profit rose to DM45m ($27m) from DM39m on turnover which fell to DM4.83bn last year from DM5.14bn. Incoming orders fell to DM4.63bn from DM4.84bn. The fall in sales was explained by a drop in bookings of large orders.

Turnover for the group in the first five months of the current 1987-88 business year fell to DM1.1bn from DM1.26bn in the comparable period, but the company said sales for the whole year were likely to be about the same as last year's DM4.83bn total.

Steep fall at Klöckner-Werke

BY DAVID GOODHART IN BONN

KLOECKNER-WERKE, the West German steel group, saw operating profit fall sharply to DM1m ($600,000) last year, down from DM45m in 1985-86. At the net level the group was DM389m in the red.

The loss was almost entirely due to the bankruptcy of the company's Maxhütte works in Bavaria, which has cost Klöckner DM382m. The capital restructuring required by the bankruptcy has cut Klöckner's nominal capital from DM469.3m to DM250.1m.

However, management claimed that without the unprofitable drag of the Maxhütte works Klöckner could emerge with a stronger financial base.

Diversification from steel continued last year, with 44 per cent of turnover now steel-related and 56 per cent geared to manufacturing. At the operating level losses in steel were up from DM26m to DM82m, the Bremen works remained profitable, but Osnabrück made a big loss.

Group turnover was down from DM6.83bn to DM6.35bn last year.

Swissair expands by 11% and lifts payout

By Our Financial Staff

SWISSAIR HAS increased net profits for 1987 by 11 per cent and said it plans partially to restore its dividend following the SFr5 reduction undertaken in 1986.

Net earnings have risen to SFr72.1m ($52.6m) from SFr64.5m in spite of a modest reduction in turnover. The company said gross revenues last year narrowed to SFr4bn from SFr4.05bn.

The dividend is going up by SFr3 to SFr36 a share. The cut in the 1986 payment followed a near 10 per cent drop in traffic volume during the year and a subsequent 6 per cent decline for net earnings.

The recovery in profit was forecast by the airline. Mr Robert Staubli, the chief executive, said in December that he looked forward to highly satisfactory results for 1987. Business in October, he said, had been running at record levels.

Operating profits last year rose to SFr375.1m, against SFr340.5m. Depreciation took a heavier toll at SFr303m, against SFr276m.

Finnish forest group plans to raise FM240m

By Olli Virtanen in Helsinki

ENSO-GUTZEIT, the Finnish state-controlled forest products group, plans to raise FM240m ($59.6m) in a one-for-eight rights issue at FM18 per share. The Finnish Government owns about 52 per cent of Enso's equity and controls 69 per cent of the votes.

Enso plans to put the proceeds towards its FM4bn investment programme for 1988-90. The proposed subscription period for the issue opens on April 18. The new shares entitle holders to a full dividend for 1988.

●Kymmene, Finland's biggest forest products group, will raise its dividend for 1987 to 12 per cent. The dividend in 1986, before a share split, was FM5 equal to 10 per cent. Kymmene plans to seek listing on the London Stock Exchange.

Superfos climbs out of red

By Hilary Barnes in Copenhagen

SUPERFOS, the Danish fertiliser, packaging and building materials group, climbed out of the red for last year, but is again not paying a dividend.

The company, which has not paid a dividend since 1985, made a net profit of DKr102m ($15.9m) for 1987, compared with losses of DKr306m a year earlier.

Sales were DKr9.56bn against DKr5.94bn. The turnover reduction reflects the disposal of fertiliser businesses in the US and Denmark.

Swiss Re gains Italian insurer

SWISS Reinsurance has gained control of Lloyd Adriatico, the Italian insurance group, by increasing to a majority its stake in Gotthard Finanz, a Swiss holding company, writes Our Financial Staff.

Swiss Re said it acquired the additional shares from Rothschild Bank of Zurich.

Kuwait acquires taste for Spanish foods

Peter Bruce on the latest bid inititative by the KIO

IF ANYONE had followed the advice of one of Spain's top brokers, Iberagentes, last December and bought into the country's biggest sugar producer, Ebro, they would today be about to make a lot of money. Ebro stock stood at about Pta18,000 a share then and is now the subject of a bid understood to be worth Pta30,000 a share.

To be fair, the advice could not have been hard to give. The Kuwait Investment Office (KIO), through its original Spanish holding, the paper producer Torras Hostench, had bought 19 per cent of Ebro last year and, say analysts, had made no secret about wanting more. On Wednesday, Torras executives visited Ebro's offices in Madrid to inform them that they were making a formal offer for control of the group.

For KIO, the bid – details of which have yet to be announced formally – represents e big and perhaps decisive leap into Spanish industry. It establishes Kuwait as the biggest foreign investor in Spain and following KIO's successful recent bid for seats on the board of Explosivos Rio Tinto (ERT), the country's biggest fertiliser group, it will give Kuwait a commanding position in the Spanish food market.

Quite why KIO has aimed at Ebro remains unexplained. One senior Madrid broker suggested yesterday that Ebro "has a lot of hidden assets," mainly property, which Torras could sell to pay for the purchase.

Ebro, which made net profits of Pta542m ($4.9m) in 1986-87 is considered to be highly profitable with little debt. Profit and operating margins have been erratic, but the company is reckoned to be well managed.

Since joining the European Community two years ago the tightly controlled Spanish sugar market has been slightly liberalised, but to the advantage of local producers whose quotas have been lifted about 50,000 tonnes to 1m tonnes a year. An invasion of artificial sweetners into Spain – which reached 150,000 tonnes in 1985-6 – has been cut by law to 80,000 tonnes a year maximum.

Besides sugar, the Ebro group produces pulp, alcohol and yeast and has won some praise from the markets for diversifying away from its traditional products and for a willingness to shut down loss-making operations.

The Kuwaitis, through Torras, have roughly two weeks to make their formal offer and the Ebro stock is likely to remain suspended until it does. Analysts do not believe stock exchange authorities will come to Ebro's defence – as they did last year when turning down Banco de Bilbao's bid for Banesto – and refuse permission for the offer to go ahead. "KIO will have done its homework," said one.

Share trading can restart on the day after a formal offer is made, but Spain's new takeover rules tend to take the surprise factor out of many bids. Ebro will not be allowed to defend itself – even if it could afford to do so – by making a counter-offer for its own stock. In fact the Torras bid may be set to make a little history by becoming Spain's first successful hostile takeover.

Gota hit by brokerage and options trade losses

BY SARA WEBB IN STOCKHOLM

GOTA, THE Swedish banking and financial services group which was created at the end of 1986 out of various financial interests of the Proventus group, reported an operating profit of SKr592m ($100m) for its first full year and is proposing a dividend of SKr2.1 per share.

The group said that its results had been dragged down by two disasters last year – heavy losses on options trading by one of its banks, and brokerage losses after the October bourse crash.

Gotabanken, the commercial bank in which the Gota group has an 82 per cent shareholding, reported a steep drop in operating profits for 1987 to SKr253m due to losses in options trading.

Wermlandsbanken, Gota's other commercial bank in which it has a 67 per cent holding, reported a 17 per cent drop in operating profits to SKr192m.

Landesbank buys stake in property agent

By Haig Simonian in Frankfurt

LANDESBANK Rheinland-Pfalz, one of West Germany's medium-sized Landesbanken and its 13th biggest bank, is buying a 50 per cent stake in Zadelhoff Deutschland, a leading commercial property agent.

The purchase follows a similar move by Deutsche Bank into a Cologne-based property group last year. However, the present deal is appreciably larger. Zadelhoff Deutschland, which has about 50 employees, is one of the country's top three property agents with fee income of DM11.5m last year.

No price has been disclosed, but it is likely to be in the region of DM20m to DM30m ($17.9m). The company, based in Frankfurt, has offices in five major cities and specialises in property services for leading German and Dutch institutional clients.

Zadelhoff Deutschland, which is owned by five partners, is associated with the Dutch group of the same name, which is the largest commercial property agent in Holland.

The decision by Landesbank Rheinland-Pfalz, which is jointly-owned by the state government of the Rhineland Palatinate and by regional savings groups, to move into the property business seems unusual at first glance.

However, the bank, which is based in Mainz, is involved in property lending throughout Germany and has worked closely with Zadelhoff Deutschland for more than 10 years.

Coles Myer interim profits up 35%

BY CHRIS SHERWELL IN SYDNEY

COLES MYER, Australia's biggest retailer, lifted net earnings 34.9 per cent for the six months to January 24, on a 6.4 per cent rise in sales.

Figures released by the Melbourne-based company yesterday showed after-tax profits of A$176.6m (US$129.7m) on sales of A$6.35bn. The tax bill was A$30m higher at A$153m.

Mr Brian Quinn, chairman, said sales growth would continue to be difficult to achieve but added that directors expected profitability growth to be maintained.

The interim performance was partly due to good trading results from the group's Myer stores and its Discount Stores group, the first significant contribution from the Super K mart group and a reduction in interest costs.

But significant additional benefits came from a more stringent control of expenses, increasing returns from investment in new technology and savings through more efficient management and decentralisation.

Generally, the results are a clear indication that last October's stock market collapse has so far had little serious impact on Australian consumer spending.

This view was reinforced yesterday with the publication of official retail sales figures which showed a seasonally adjusted decline of just 0.3 per cent in January. "We have seen no sign of any significant fall in consumer spending since October and sales and profits for February were ahead of budget," Mr Quinn said.

He also confirmed that Coles was still interested in buying Progressive Enterprises in New Zealand, currently controlled by Brierley Investments. He foreshadowed no big investments in the UK or US.

During the six months, the company opened 49 new free-standing stores and closed 35 units. The results did not include any contribution from the recently-purchased Shoeys budget grocery chain.

Coles Myer will pay a fully-franked interim dividend of 12 cents per share compared with 10 cents last year.

Hongkong and Shanghai Hotels lifts earnings

BY DAVID DODWELL IN HONG KONG

HONGKONG and Shanghai Hotels, which owns the prestige Peninsula Hotel and has been controlled for the past 80 years by the family of Lord Kadoorie, yesterday reported 1987 net profits of HK$240.7m (US$30.85m), a 17.6 per cent improvement on the previous HK$206.6m.

This came amid a number of corporate developments during the year. Most prominent among these was a restructuring in October that followed a protracted battle for boardroom control mounted by Chinese Estates, a company chaired by Mr Joseph Lau.

As part of the reshape, a larger proportion of the group's shares has been placed in public hands and a new chief executive has been chosen – Mr Hanmer Webb-Peploe, former chief of the Shell group of companies in Hong Kong. He will serve under Mr Michael Kadoorie, the chairman.

Turnover was HK$875m, up 21 per cent. The board has recommended a final dividend of 7 cents per share making 12 cents for the year against 10 cents.

The company said 1987 was a year of "satisfactory profit growth," though it is clear that a renovation programme for the Peninsula Hotel, which was completed in December, eroded the contribution made by the group's flagship.

The Kowloon Hotel, a four-star sister to the Peninsula, completed its first full year of operation and made a "significant" contributioin to profits, with occupancy for the year averaging over 90 per cent.

A large residential and commercial development in Repulse Bay, on the south of Hong Kong Island, is due to be complete at the end of 1988, the group statement said.

Danish group agrees palm oil venture in Malaysia

BY WONG SULONG IN KUALA LUMPUR

A DANISH business group has reached a deal in Malaysia to develop a 25,000 acre palm oil plantation.

Under the complex deal, United Industrial Enterprises (UIE), which is quoted on the Copenhagen and Luxembourg stock exchanges, will pay 21m ringgit (US$8.2m) to Gula Perak for the rights of its leasehold land.

UIE and the Perak State Agriculture Development Corporation (PSADC) will form a joint venture company, UIE (Malaysia) to develop the land. PSADC will hold 15 per cent in UIE (Malaysia).

Dato Bek-Neilsen, chairman of UIE, said the joint company hopes fully to develop the 25,709 acres in three years, at a cost of 130m ringgit. Further planned downstream ventures under consideration may bring the total cost to 225m ringgit.

The land was granted by the Perak state government to Gula Perak in 1968 for a sugar plantation. The venture failed, largely because the soil was not suitable for the crop, and Gula Perak was placed in receivership. Various proposals to develop the land and revive the company were also unsuccessful.

Gula Perak will use the 21m ringgit from the sale of its leasehold land to pay off its creditors, and to purchase palm oil and rubber estates totalling 8,500 acres. It plans then to apply to the Kuala Lumpur Stock Exchange for its shares to be relisted.

The Danish consortium which controls UIE used to control United Plantations (UP), a leading Malaysian plantation group. The consortium sold its majority stake in UP to Fima, a Malaysian government agency, in 1982, although Dato Bek-Nielsen remains as senior exectutive director of UP.

Egyptian American Bank shows recovery

EGYPTIAN-American Bank, in which American Express has a 49 per cent stake, returned sharply increased profits in 1987 after a slide in earnings the previous year, writes Tony Walker in Cairo.

Net profit was E£21.7m ($9.6m), an increase of 114 per cent. Cleaning the slate of bad debts had depressed the 1986 results but Mr Elie Baroudi, managing director, also attributed the performance to strong links with companies in export and tourism, two successful sectors.

Mitsubishi Chemical ahead

MITSUBISHI Chemical Industries of Japan boosted pre-tax profits by nearly a quarter to Y30bn ($235.3m) in the year to January, compared with Y24.1bn, Our Financial Staff writes.

This came in spite of a dip in sales to Y623bn from Y631.1bn, and was attributed to cost-cutting. The annual dividend is being lifted to Y6 per share from Y5.

Merger boosts Green Island

GREEN ISLAND Cement (Holdings), the Hong Kong building materials company chaired by Mr Li Ka-shing, achieved net profits from operations of HK$80.5m (US$10.3m) for 1987, a period during which it merged with its China Cement associate, Our Financial Staff writes.

In 1986, Green Island and its associates recorded after-tax profits of HK$43.8m. The results were struck before extraordinary gains of HK$22.9m in the latest year from the sale of property and HK$15.7m the time before.

Advance by ANI

AUSTRALIAN National Industries (ANI), the country's biggest heavy engineering company, lifted net profits to A$35m (US$25.7m) in the seven months to January, compared with A$31.8m, Our Financial Staff writes.

Lion increases holding in LD Nathan to 78%

BY DAI HAYWARD IN WELLINGTON

LION CORPORATION, the New Zealand brewer, has acquired another 35 per cent of L.D. Nathan, the country's largest grocery chain, lifting its stake to 78 per cent.

Lion has overcome several obstacles in working towards a planned merger with Nathan. It paid NZ$364m (US$244.1m) for its latest stake from Fay Richwhite, the merchant bank but faces a further legal argument as fresh proceedings have been filed in the High Court attempting to block the merger.

Malayan Breweries, one of Lion's main shareholders, along with some smaller shareholders and two directors of Lion, want to quash a resolution which was passed at an extraordinary meeting approving the merger.

The Singapore-based Malayan Breweries, which together with associates owns some 22 per cent of Lion, is objecting to Lion paying Fay Richwhite a higher price for its shares than was available to other shareholders.

Fletcher has enough ANM

FLETCHER CHALLENGE, the paper and forestry group, yesterday said it is not interested in making a full bid for the now half-owned Australian Newsprint Mills, writes Dai Hayward.

It also denied that it bought the 11.6 per cent of ANM sold on Wednesday by Bell Group.

It confirmed it bought a 50 per cent stake from John Fairfax, the Sydney publishing company. It paid NZ$120m (US$80.5m) for 25 per cent. The other 25 per cent is being held in trust until the Australian Trade Purposes Commission approves the purchase.

James Hardie undertakes two-year restructuring

BY OUR FINANCIAL STAFF

JAMES HARDIE Industries, the Australian building materials producer, is to restructure its businesses in a two-year programme which will include the flotation of three divisions.

"The new structure is designed to provide for the continued growth of the company's core businesses and to capitalise on its recently developed fibre cement technology," it said.

Fibre cement building board products will be retained as the core business. Its other main businesses will be spun off.

This will begin with its paper merchanting and converting side, where shareholders are to be offered 55 per cent. Those subscribing will later receive free the same percentage of its two other divisions – building services and construction products.

Hardie also announced a one-for-eight scrip issue and plans to raise A$77m (US$56.5m) for expansion in the US through an issue to Bankers Trust of convertible preference shares.

Hilary Barnes on continuing stock exchange reform in Denmark

Copenhagen SE goes electronic

THE COPENHAGEN Stock Exchange will be closed from March 23 to 28 inclusive, a six-day break which is being used to convert physical share certificates to electronic registrations with the Vaerdipapircentralen (VPC, or securities registration centre).

When the market opens on March 24, a new share price listing system will also come into use, which may cause one or two unwary investors to choke on their breakfast when they open their morning newspaper.

The closure is the prelude to the next big steps in the continuing process of reforming the Danish securities trading system – the introduction of electronic trading in both bonds and shares in May and the establishment of a market in options and futures, which will probably take place in the summer.

Copenhagen's reform is not a big bang but a controlled gush, which began with the ending on January 1 1987, of the monopoly to trade on the stock exchange enjoyed by 26 broking firms. The reform will be complete some time towards the end of this year, when all bonds and shares will be tradeable through the electronic system. Copenhagen is not just setting up an electronic support system for trading: it will also be possible to complete trades electronically.

As Mr Bent Mebus, managing director of the Copenhagen Stock Exchange, explained, Copenhagen has gone about the computerisation of the system in a slightly different way from most other bourses.

"We have chosen to establish a computerised securities registration system first, and a trading system afterwards. This means that we can avoid problems over settlements," he said.

In other words, the back office snarl-ups which followed London's Big Bang will not take place with the Danish system, as everything takes place electronically.

The conversion of share certificates is taking place five years after the conversion of bonds in 1983, an operation which went without a hitch. Mr Mebus is confident that the conversion of share certificates will also go smoothly.

Six-day break

The six-day trading break allows for the settlement of all trades which took place on March 22, under the three-day settlement rule. The pause should also give the VPC's computers ample time to detect any double registration of certificates, so that this problem can be sorted out before trading resumes.

Prices in Copenhagen have hitherto been listed in the same way as bonds, as a percentage of the face value. From March 24, they will be listed in the same way as on all other stock exchanges, as the actual market price per share.

Shares in the majority of companies have a face value of DKr100, so the price quotation on March 24 will not, in fact, change. But some companies have shares with face values of DKr1,000 and will therefore appear in the newspaper listings on March 24 at 10 times the price listed before the closure.

Electronic trading is already being tested, with 25 securities now in the system.

The stock exchange has developed its own standard trading system, which is available to all brokers. But it is a basic system, which few broking firms are expected to use. However, it is relatively cheap, at about DKr500,000 ($78,000), and will enable the smaller of the old broking firms to stay in the game.

But most of the 49 broking companies entitled to trade under the new system have developed their own custom-built decentralised trading systems, which include all the market information which each company considers necessary.

The plan is to inaugurate the decentralised trading system at the end of May, though the exact date will first be fixed in April. "I am convinced that we shall meet the end-May date," said Mr Mebus.

Trading will continue to take place on the floor of the stock exchange through the traditional auction system for some time, until all securities, both bonds and shares, have been slotted into the computerised system.

Visible trading

Among the last to be computerised will be the highly popular 9 per cent 2006 bonds, which account for a high proportion of bond turnover. These will probably join the system in the autumn and, once that has happened, there will probably not be enough money left in the auction system to enable it to survive, said Mr Thomas Bjerregaard, general manager of Coco Securities, the broking company of Copenhagen Handelsbank.

Trading in Copenhagen is dominated by the large and liquid bond market, which has attracted increasing interest in recent years from foreign investors. It has a turnover of about DKr5,000bn, only a fraction of which takes place on the stock exchange itself. Under the new system, however, all bond trading will become visible.

Share turnover last year was about DKr15bn or about DKr55m daily. Although this is a small market, turnover has, nevertheless, increased by about six times over the past five years, as interest in the market has increased.

Baring Bros in Far East reorganisation

By David Dodwell in Hong Kong

BARING BROTHERS, the UK financial services group, yesterday revealed plans to reorganise its operations in Hong Kong and Singapore, with branches of the headquarters group taking over local and regional operations from its wholly-owned subsidiary, Baring Brothers Asia.

Barings has been established in Hong Kong since 1973, with separate units engaged in corporate finance, securities business, and fund management. In Singapore, the parent will operate as an approved merchant bank with an Asian currency unit.

Barings also has branches in Japan, Korea, Malaysia and Australia.

Europaper issue by Rabobank

BY DAVID LASCELLES, BANKING EDITOR

RABOBANK, THE large Dutch co-operative bank, is putting together a $500m Eurocommercial paper programme as part of its efforts to give a broader international investor base to its sources of funds.

The programme, due to be signed on Monday, is being put together by SBCI, which is acting as dealer along with County NatWest, Citicorp and CSFB. Depending on investor response, the programme may be increased to $1bn.

Mr J. Adolfse, Rabobank's general manager and treasurer, said yesterday that the issue would improve his bank's name recognition in the international capital markets and pave the way for longer-term capital issues to fund the bank's commercial lending and mortgage book.

Based in Utrecht, Rabobank has a strong domestic orientation, particularly in the agricultural sector, and has only recently begun to extend its horizons abroad.

Mr Adolfse said that changes in the Dutch savings market brought on by increased competition and changes to the tax regime also threatened Rabobank's traditional deposit base. This gave the group an additional impetus to explore new sources of funds.

Ericsson forecasts rise in profits

ERICSSON, THE Swedish telecommunications group, expects an improvement in profits for 1988, given the strong order intake so far this year and the disposal by the group in the last year of several troublesome units, Sara Webb reports from Stockholm.

Mr Bjoern Svedberg, Ericsson's chief executive officer, said yesterday he was optimistic about prospects for 1988.

The group showed a 20 per cent increase in profits after financial items to SKr1.12bn ($189.5m) last year, while sales increased by 3 per cent to SKr32.4bn.

Ericsson has disposed of its office equipment, data systems, capacitor, and US cable activities in recent months and plans to concentrate on the core telecommunications business.

Brazilian group plans gold-backed bond issue

By John Barham in Sao Paulo

COMPANHIA VALE do Rio Doce, one of Brazil's biggest and best managed nationalised companies, is planning to issue a gold-backed bond.

Mr Wilson Brummer, the company's financial director, said: "Nothing has been defined yet, the matter is still under discussion with the central bank." The central bank of Brazil oversees the gold market.

However, bankers in Sao Paulo expect the bond to be part forward gold contract and part debenture. Investors would be able to choose to link their investment to a fixed 6 per cent annual interest rate, or to the future price of gold.

Investors who chose the gold clause would receive the amount of gold specified on the paper upon maturity. The local indexation rate would protect investors opting for the fixed interest clause by adjusting principle and accrued interest in line with Brazil's 400 per cent inflation rate.

The five-year paper is planned to help finance the company's expanding gold mining operation. The group is among the largest mining companies in the world.

Last year Vale mined less than a tonne of gold but Mr Brummer says he expects output to reach 10 tonnes by 1992. In 1987, Brazil produced an estimated 36 tonnes of gold, making it the world's fifth largest producer.

If the paper is brought to the market, it would help stabilise Vale's uneven finances. Last year, it reported a $344m net loss, partly because of poorly matched loans. Vale owes $2.7bn, most of it in local currency, yen, D-Marks or Swiss francs. But most of its revenues come from exports, which are denominated in US dollars.

The hybrid bonds would avoid similar problems in the future. Mr Brummer said Vale hopes to link its borrowing to future production.

Montedison asset sales raise further L40bn

By John Wyles in Rome

PROCEEDS from Montedison's sales of non-strategic assets in recent weeks climbed to about L350bn ($282.4m) yesterday when the Italian chemicals and pharmaceuticals group announced a deal with an Italian-Swedish consortium.

Perstorp AB of Sweden and Polioli of Castellanza, near Milan, have agreed to purchase two intermediate chemicals plants in northern Italy, one at Castellanza and the other at Novara. The price is believed to be between L40bn and L45bn.

The plants, which employ 135 people, manufacture a range of chemicals, including formaldehyde and hydrosulphites used in the manufacture of glues.

A Montedison spokesman said the new owners pledged to maintain and develop the businesses, no longer regarded as central to the Milan-based company's chemicals strategy.

In little more than a month, Montedison has raised L240bn from the sale of its stake in Mira Lanza, the detergent manufacturer, L45bn from the lubricants business owned by its Rol subsidiary, and L16.5bn from a 50 per cent stake in a small metallurgical chemicals company.

Ferruzzi, Montedison's controlling shareholder, is aiming to raise about L1,000bn from asset sales as a contribution toward reducing the company's L7,800bn debt.

Novel CD from Citibank HK

CITIBANK'S HONG Kong branch will today begin public subscription for the first currency-linked certificate of deposit issue in the colony, Reuter reports from Hong Kong.

The one year issue for up to C$75m will carry a 6½ per cent coupon. Denominations are of C$50,000 and issue price is par. The issue will mature by mid-April 1989.

Repayment at maturity will be linked to the difference between the Canadian dollar's exchange rate on the deposit date and on the maturity date.

For every 1 per cent rise in the Canadian dollar's value on maturity date the certificate holder will be repaid an amount equal to 1 per cent of principal and interest combined, in addition to the principal and interest. The obverse holds for a decline in the Canadian dollar.

However, the upside gain is unlimited while the downside risk is restricted to 5 per cent.

Canadian dollar sector sees two more deals

BY CLARE PEARSON

TWO CANADIAN dollar Eurobonds emerged yesterday morning, despite widespread nervousness about launching new deals ahead of the release of the closely watched US trade figures later in the day.

The Canadian dollar sector has proved one of the most popular sectors of the Eurobond market this week. Including an increase yesterday in a deal for Canadian Imperial Bank of Commerce (Singapore) by C$50m to C$100m, deals totalling C$850m have been launched.

Dealers said the strength of the Canadian dollar against the US unit was keeping demand for Canadian dollar bonds firm, although the prices of some recent issues were suffering under the weight of new paper. A seven-year bond for Toronto Dominion Bank, for instance, was quoted at less 2¼ bid.

Investors were preferring to stay at the shorter end of the yield curve, dealers said, so Michelin's seven-year 10 per cent bond, led yesterday by Deutsche Bank Capital Markets, was expected to be a hard sell, even though the French tyre and rubber company is a household name in Europe.

The C$100m bond, priced at 101⅞, was quoted at less 1⅝ bid, the level of its total fees by the lead manager, but at less 2 bid elsewhere.

A C$100m 10 per cent bond for Caisse Centrale Desjardins du Quebec, the Canadian co-operative bank, was seen as slightly tightly priced. The five-year bond, led by Union Bank of Switzerland (Securities), was bid at less 1¾, a discount equal to full commissions, to a 101⅞ issue price.

Data showing a US trade deficit of $12.4bn in January – somewhat better than had been expected – boosted the Eurodollar bond market towards the end of the day, despite a confused initial reaction. At the close, longer-dated Eurodollar bonds were about ⅜ points higher and dealers said the market had developed a more confident tone.

The Eurosterling bond market initially sold off after a ½ percentage point cut in UK base lending rates to 8½ per cent. But retail buyers appeared during the afternoon after the currency moved back towards DM3.10 - the level which had apparently spurred the base rate cut. This trend left Eurosterling prices unchanged on the day.

Banco di Napoli found very strong demand for a new L150bn floating-rate note for the European Investment Bank – only the second FRN to appear so far in the still fledgling Eurolira market. The deal was bid at 100.70 against a par issue price.

INTERNATIONAL BONDS

The eight-year bond pays ⅛ point over six-month London interbank offered rate unless the average of six-month Italian Treasury bills and the domestic interbank rate, plus 1 per cent, is 25 basis points below the latter rate. In that case, it pays the latter rate.

Late in the day, Hambros Bank announced an A$50m five-year 12¾ per cent bond for International Finance Corporation, the affiliate of the World Bank, priced at 101⅛. The issue was a club deal involving a small management group.

Prices in both the D-Mark domestic bond and Eurobond markets closed unchanged on the day after being marked down at the outset in sympathy with overnight weakness in US Treasuries. The US trade data helped buying interest re-emerge later.

Today, details of a new Federal government bond will be announced. The most recent 6¼ per cent 10-year issue was fixed at 100.20 yesterday, 10 basis points down, to yield 6.22 per cent.

Deutsche Bank Finance (Curacao) issued a DM500m five-year 5 per cent bond, priced at 101, which was led by its parent. It was bid at less 1¼. Dealers said five-year paper was seeing good demand.

After issuing a 20-year public bond on Wednesday, Electricité de France tapped the private placement market yesterday with a SFr100m 4 per cent five-year bond priced at 101. The issue was viewed favourably, quoted at less 1¼ bid.

A SFr200m 20-year 5 per cent bond for the Province of Quebec closed its first day's trading at 99, two points below its issue price. A SFr100m ¾ per cent bond for Mitsui Trust and Banking, also after its first day's dealings, closed at the same level but against a par issue price.

● Bank Gutzwiller, Kurz, Bungener said yesterday it was resigning the leadership of its 24-strong bond underwriting syndicate. Leadership is expected to pass to Trade Development Bank, a Geneva subsidiary of American Express Bank which is being merged with American Express Bank (Switzerland) of Zurich.

Bank Gutzwiller's resignation, which comes into effect at the end of the year, had been expected after Mr Jean-Francois Kurz, who is credited with building up the syndicate, resigned to join TDB last month.

Bridging finance for British Gas

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

BARCLAYS BANK said yesterday it was providing $800m of bridging financing to help British Gas with the purchase of its controlling stake of Bow Valley Industries, the Canadian gas company.

Barclays was one among several banks which bid to provide the 12-month financing and, having won the mandate outright, will not be syndicating it to other banks. Terms were not disclosed.

Drawings can be made in Canadian or US dollars and the interim financing has been put in place until British Gas finalises other funding arrangements. It launched on Tuesday an issue of $200m of 10-year bonds and $200m of 30-year bonds in the US market.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 17

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.69
American Brands [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.85
A/S Eksportfinans [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.67
A/S Eksportfinans [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.46
Barc. Bk. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.58
British Telecom [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.15
British Telecom [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.78
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.75
Canadian Pac [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.29
C.C.C.E. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.31
C.C.C.E. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.36
Denmark [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.58
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.22
E.E.C 7 91	100	96¼	96¾	-0⅛	-0⅛	8.15
E.E.C. 7¼ 93	250	95⅛	95⅝	0	+0⅛	8.43
E.E.C 8¼ 96	100	†95½	96	+0⅛	-0⅛	8.99
E.I.B. 7¾ 93	100	95⅜	96	+0⅛	-0⅛	8.58
E.I.B. 9¾ 97	150	101⅞	102	-0⅛	-0⅛	9.09
Finland 7¾ 97	200	92¼	92¾	-0⅛	-0⅛	9.23
Finland 7½ 93	200	95	95¼	-0⅛	-0⅛	8.60
Finn.Exp.Cd. 8½ 92	200	100⅛	100⅝	-0⅛	+0⅛	8.39
Ford Motor Cred 11¼ 90	100	105¾	106¼	0	0	7.86
Gen Elec Credit 10¼ 00	200	102¼	102¾	-0⅛	-0⅛	9.88
G.M.A.C. 8 89	250	100¼	100⅝	0	0	7.65
G.M.A.C. 8¼ 89	200	100⅜	100¾	-0⅛	0	7.67
Ireland 8½ 97	100	†93¾	94¼	-0⅛	+0⅛	9.26
Italy 9 90	1000	102¼	102¾	0	+0⅛	7.78
Liberty Mutual 8¾ 96	150	†96¼	96¾	0	+0⅛	9.13
L.T.C.B of Japan 8 91	100	98⅞	99⅜	-0⅛	-0⅛	8.28
L.T.C.B of Japan 8 97	200	91	91½	-0⅛	-0⅛	9.52
Merc-Benz Crd. 8½ 92	100	98⅝	98⅞	-0⅛	-0⅛	8.77
Metropolis Tokyo 9½ 93	200	102⅞	103¼	-0⅛	-0⅛	8.66
Mitsubishi Fin. 7¾ 93	100	†94¾	95¼	-0⅛	-0⅛	9.04
Mutual America 7¾ 92	100	†96½	97	-0¼	0	8.65
Norway 8¼ 93	500	100¾	101¼	-0⅛	-0⅛	8.49
Pepsico Inc. 7¾ 93	200	†95¼	95¾	0	+0⅛	8.51
Prudential Crp. 8¾ 94	125	100	100½	-0⅛	-0⅛	8.68
Qantas Airways 10¼ 95	140	106	106¼	0	0	9.17
Saab Scania 9½ 91	125	†103⅜	103¾	0	0	8.05
Saskatchewan 10¼ 92	100	107	107½	-0⅛	-0⅛	8.55
State Bk S Aust 9¼ 93	100	101¼	102	-0⅛	-0⅛	8.82
Swedish Expt. Crd. 7¼ 91	100	†96¼	96¾	-0⅛	0	8.32
Swed Exp. Cred 10 92	100	105¼	105½	+0⅛	-0⅛	8.45
Sweden 7 91	250	96¼	97	-0⅛	-0⅛	8.06
Sweden 7 92	250	†95⅜	96¼	0	+0⅛	8.19
Sweden 8¼ 96	200	98½	99	0	0	8.97
Sweden 8½ 92	200	†101	101½	0	+0⅛	8.13
Toyota Mtr. Cred. 9 90	200	†102¼	102¾	0	-0⅛	7.98
Victorian Rep 11¼ 92	150	109¾	110¼	+0⅛	+0⅛	8.62
World Bank 7 92	300	†95⅜	96¼	0	-0⅛	8.20
World Bank 9 97	300	99⅜	99⅞	-0⅛	-0⅛	9.05
Yasuda Trust Fin 8½ 93	100	97¼	98¼	-0⅛	-0⅛	8.97

Average price change... On day -0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	†102¼	103⅛	-0⅛	0	5.45
Avis Fin.SVS 5¾ 92	100	†102¼	103⅛	-0⅛	+0⅛	5.03
Bank of Tokyo 5¼ 93	100	†103½	104	+0⅛	+0½	4.88
Central BK. Turkey 7 92	200	†103¾	104¼	0	+0⅛	5.96
Degussa Int. 6⅛ 97	200	†100¼	101⅛	-0⅛	+0⅛	5.99
E.I.B 5½ 98	150	†96¼	96¾	-0⅛	-0⅛	5.97
E.I.B 6 97	300	†100¼	100⅝	-0⅛	-0½	5.92
E.I.B. 6⅛ 96	300	†101½	102	-0⅛	-0⅛	5.85
E.I.B. 6½ 97	400	†100½	101	-0⅛	-0½	6.01
E.I.B. 6¾ 95	300	†106½	107	-0⅛	-0⅛	5.75
Euro.Coal & Steel 5¾ 97	175	†99¼	99¾	-0⅛	-0⅛	5.97
Eurofima 6¼ 96	100	†102½	103	0	-0⅛	5.82
Elec De France 5¼ 97	300	†98½	99	-0⅛	-0⅛	5.92
Forsmark Krtg. 5⅛ 93	200	†101¼	101⅝	0	+0½	4.80
I.A.D.B. 6 97	200	†98½	99	0	-0⅛	6.18
IBJ 5¾ 92	100	†103½	104	-0½	+0½	4.93
Japan Finance 5¾ 97	100	†97¼	98⅛	-0⅛	-0⅛	6.06
Ireland 6½ 97	300	†100¾	101¼	-0⅛	0	6.35
Korea Dev BK 6½ 93	100	†103¼	103⅝	0	-0⅛	5.85
Malaysia 6⅛ 94	150	†103¾	104¼	+1	+2⅛	5.47
Oesters. Kontbk. 5 93	300	†100¼	101⅛	0	+0⅛	4.79
Portugal 5⅛ 92	150	†102⅞	103½	-0⅛	-0⅛	4.99
Portugal 6⅛ 95	150	†103¼	103¾	0	+0⅛	6.02
Royal Insurance 5½ 92	300	†101¼	102¼	+0⅛	-0⅛	4.97
Statoil 6⅛ 97	200	†100½	101	+0⅛	-0½	6.14
Soc Cent Nuclear 7⅛ 95	150	†100¼	100¾	0	+0⅛	6.28
Tokyo Elec. Power 6 97	300	*†99¼	99½	0	0	6.09
World BK. 6⅛ 97	600	†101⅝	102¼	-0⅛	-0⅛	5.88

Average price change... On day -0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅛ 96	100	†102	102½	0	-0⅛	5.28
Asfinag 5 02	150	†100½	101	+0⅛	+0½	4.92
Bk. Frgn. Econ. Usr 5 98	100	†100	100½	0	+0⅛	4.97
Bayer W/W 2½ 02	250	*†96½	97	0	-0⅛	2.78
Bayer. Vrnsbk.Os.4¼ 98	100	†101½	101¾	+0⅛	+0⅛	4.54
Elec.De France 5 07	100	*†101	102	0	-0⅞	4.88
E.I.B. 4¾ 97	200	†101	101½	+0⅛	+0½	4.58
E.I.B 4⅝ 97	200	†100	100½	0	-0⅛	4.59
Enso Gutzeit 5 99	100	*†100¾	101¼	0	0	4.91
Ireland 5 02	150	†97¼	97½	0	-0⅛	5.26
Nippon Seis.Kdo.4¾ 95	80	†102½	103¼	-0⅛	+0⅛	4.30
Occidental Petrol 5¼ 92	100	†103	103¼	0	0	4.85
Prov.of Manitoba 4¾ 02	200	†101	101½	0	-0⅛	4.58
Prudential Fin. 4¾ 98	200	†102	102¼	+0⅛	+1	4.48
Qantas Airways 4¾ 97	110	†98½	99¼	0	-0⅛	4.93
SHV Holdings 4¾ 94	100	*†101½	102	0	-0⅛	4.43
Trans-Can. Pipe 4⅞ 94	100	†101¼	101½	0	0	4.60
Unilvg. 5½ 96	120	†103½	103¾	-0⅛	-0⅛	4.93
Victoria Pub.Ah.5¼ 05	110	†102¼	103	-0⅛	-0⅛	5.09
World Bank 5 02	200	†99¾	100	0	0	5.01

Average price change... On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅛	102⅝	-0⅛	+0⅛	4.77
Belgium 4⅛ 94	45	97¾	98⅛	0	+0⅛	5.00
Canada 4⅝ 92	80	98¾	99⅛	-0⅛	0	4.63
Elec. De France 5⅛ 94	20	100⅞	101⅛	0	+0⅛	4.90
Kansai Electric 4⅛ 94	60	97⅛	97½	0	+0½	5.13
Norway 4⅛ 92	60	98½	98¾	+0⅛	+0½	4.62
Rep. of Italy 5⅛ 92	150	104	104⅛	0	+0⅛	4.58
Sweden 4¾ 92	50	98½	98¾	-0⅛	+0⅛	4.73
World Bank 5½ 92	50	103⅝	103¾	0	+0⅛	4.55

Average price change... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	101	101¼	0	+0⅛	9.94
Alg. Bk. Ned. 5½ 92 FL	150	99¾	100¼	+0⅛	+0⅛	5.50
Amro Bank 6¼ 92 FL	150	102¼	103¼	0	0	5.46
Barc. Aust. 14 91 AS	20	103¾	104¼	-0⅛	+0⅛	12.50
Barc. Bk. 10⅛ 97 £	250	99¾	100¼	0	+0⅛	10.21
British Airways 10 98 £	100	98¼	98¾	0	-0⅛	10.24
C.I.B.C.Mort.10¼ 93 C$	100	†102½	103	0	+0⅛	10.01
Denmark 7⅛ 92 ECU	100	100¼	101⅛	0	+0⅛	7.39
DG Fin. Co. 13¼ 90 AS	50	†102½	103½	0	-0½	12.18
DG Fin. Co. 14 90 AS	75	†102¼	103¼	0	0	12.51
DG Finance 14¼ 92 AS	50	*†102¼	103¼	0	0	13.27
Deutsche Bank 9¾ 97 £	75	†100⅛	100⅝	-0⅛	-0⅛	9.81
Deutsche Bk.14¼ 92 AS	100	†106½	107	0	+0⅛	12.01
Dresdner Fin.13⅞ 93 AS	100	†105½	106½	-0⅛	+0⅛	11.48
E.I.B 10¼ 98 C$	130	†99½	100	0	+0⅛	10.16
E.I.B 8¼ 95 LF	1000	†102½	103½	0	0	7.85
Eurotom 7⅛ 97 ECU	145	97⅛	97½	0	0	7.80
Eurofima 7⅛ 92 FL	50	105⅛	106⅛	+0⅛	+0⅛	5.85
Eurofima 17½ 89 NZ$	50	†103⅛	104½	0	+0⅛	14.45
Fed.Bus.Dv.Bk 9¾ 92 C$	75	†100⅞	101⅜	0	+0⅛	9.39
Ford Cr.Can.10⅛ 95 C$	100	†102¼	103⅛	0	-0⅛	9.94
Gillette Can. 9⅛ 93 £	70	97⅞	98¼	+0⅛	-0⅛	10.10
G.M.A.C. 9¼ 92 C$	75	†99¼	99¾	-0⅛	+0⅛	9.38
G.M.A.C.Aus.Fin.14 90 AS	90	103⅛	103⅝	+0⅛	+0⅛	12.16
Halifax BS 10⅛ 97 £	100	100	100½	-0⅛	+0⅛	10.33
Heineken NV. 6⅛ 93 FL	150	†104	104¼	0	+0⅛	4.83
Hunter Douglas 7 91 FL	50	102⅞	103⅛	0	0	5.94
Imp Chem Inds 10 93 £	100	98⅛	98¾	-0⅛	0	10.19
Inv.Industry Int.10 93 £	60	101⅛	101⅝	0	+0½	9.57
Leeds B.S.10½ 91 £	50	100⅞	101⅛	-0⅛	-0⅛	10.14
Nat.Australia 14 92 AS	90	104⅛	104⅝	0	+0⅛	-0.88
Nat. West.Bk.13¼ 92 AS	50	†103⅜	103⅞	0	+0⅛	12.02
Nationwide BS 10⅛ 93 £	75	100⅛	101	-0⅛	0	9.95
Ned.Gasunie 6⅛ 90 FL	75	103⅛	104⅛	0	-0⅛	5.24
Ned.Midd.Bank 6 92 FL	150	101	101½	0	0	5.68
New Zealand 7⅛ 93 ECU	200	100⅛	101	-0⅛	-0⅛	7.59
Oesters.Kbk.13¾ 94 AS	75	105⅛	106⅛	0	+0⅛	12.18
Prudential Fin.9¾ 07 £	250	91⅛	92⅛	-0⅛	+0⅛	10.36
Rank Xerox Fn.8 98 FL	100	102⅛	103⅛	+0⅛	+0⅛	6.30
Rank Xerox Fn.8¼ 89 FL	75	102⅛	103	0	0	5.89
S.D.R. 7⅛ 95 ECU	90	100⅛	100½	-0⅛	-0½	7.70
World Bank 7⅛ 89 FL	100	103⅛	104½	0	0	5.08
World Bank 7½ 90 FL	150	104⅛	104⅝	0	0	5.23
World Bank 5⅛ 92 FL	100	101⅛	101⅝	0	0	5.36
World Bank 13¼ 92 AS	100	†104	104½	0	+0⅛	12.01

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 95	.0312	100.23	100.33	13/06	8.17
Alliance & Leic.Bld 94 £	.08	99.20	99.25	21/04	9.02
Belgium 91	0	100.15	100.24	22/08	7
Britannia 5 93 £	0⅛	99.71	99.76	8/04	9⅛
Chase Manhattan Corp 91	0⅛	99.10	99.35	22/08	6.94
Citicorp 98	†0⅛	96.05	96.30	31/03	6.83
EEC 3 92 DM	†0	100.38	100.43	22/08	3.56
Halifax BS 94 £	.1	99.72	99.77	9/05	9.6
Invt. in Industry 94 £	0	99.51	99.61	24/05	9.44
Leeds Perm. B/S. 94 £	0⅛	99.89	99.94	13/04	9.12
Midland Bank 01 £	.1	95.00	96.00	11/05	9.41
Milk Mkt.Brd. 5 93 £	0⅛	99.50	99.55	30/03	9
New Zealand 5 97 £	.07	99.67	99.77	18/05	9.44
New Zealand 5 01	0	99.08	99.18	4/08	6.98
Shearson Lehman Hlds 91	†0⅛	99.00	99.50	9/05	6.94
United Kingdom 5 92	0	100.06	100.12	7/04	7.12
Woodside Fin. 5⅛ 97	0	99.08	99.18	28/04	7.13
Woolwich 5 93 £	0⅛	99.52	99.56	19/05	9½

Average price change... On day +0.00 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02	8/87	62.	97⅛	98⅛	+0⅛	33.38
Alco Health 6⅛ 01	†7/86	26.25	85½	86½	0	23.70
American Brands 7⅛ 02	9/87	56.7	100⅞	101⅛	+0⅛	24.28
American Can Co. 5½ 02	4/87	66.75	66⅛	67⅛	-0⅛	50.23
Ashikaga Bank 2⅛ 02	4/87	967.	142½	143⅞	-0⅞	1.54
Asics 5 92 DM	†12/83	438.6	154½	155½	0	-3.34
CBS. Inc 5 02	4/87	200.	94⅛	95⅛	0	15.63
Fuji Hvy Inds 3 00	8/85	676.	174⅛	175⅛	+0⅛	1.92
Fujitsu 3 99	5/84	1106.	250½	251½	+8⅛	4.11
Gunma Bank 2⅛ 02	4/87	808.	172⅞	174	-0⅛	2.74
Land Secs. 6⅛ 02 £	6/87	6.72	96⅛	97⅛	0	22.68
MCA INC 5½ 02 US	†9/87	69.62	82⅛	83½	-0⅛	31.34
Minolta Camera 2⅛ 94DM	†2/86	1004.	95⅛	96⅛	+0⅛	32.35
Mitsui trust 2⅛ 01	10/86	1903.	154⅛	155½	+0⅞	1.85
Next PLC 5⅛ 03 £	11/87	4.3	103	104	0	49.35
Nishi Nipn.Bk.2⅞ 03 US	4/88	804.	109½	111⅛	+0⅞	3.19
Omron Tateisi 2⅞ 02	4/87	1310.	215⅛	217⅛	+0⅞	4.96
Ranks Hovis 4⅛ 03 £	1/88	3.5	108⅛	109⅛	0	16.53
Redland 7⅛ 02 £	1/87	5.4	97⅛	98⅛	-0⅛	23.17
Texas Inst. 2⅞ 02 US	9/87	82.87	84	85	+0½	26.45
W.R. Grace 6⅛ 02 US	9/87	42.12	86	87	+0⅛	34.32

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

APPOINTMENTS

Chairman designate of IMI

IMI has appointed Sir Eric Pountain, chairman and chief executive of Tarmac, as a non-executive director from May 18. Sir Robert Clark, IMI chairman, is to retire at the annual meeting in May 1989, when he will be succeeded by Sir Eric, who will remain executive chairman of Tarmac. Mr David Livingstone, a non-executive director of IMI will retire at the annual meeting in May.

★

Mr Angus Maitland, THE VPI GROUP director responsible for worldwide investor relations operations and also chairman of the group's research subsidiary, Consensus Research, will take over from Mr Michael Horstead as deputy group chairman from April 1. Mr Horstead will be retiring in June but will remain on the board as a non-executive director. Mr Maitland will assume responsibility for the group's corporate planning function, and will continue to have overall responsibility for investor relations consultancy worldwide. Mr Howard Lee, international director of Valin Pollen Ltd, will assume day-to-day management responsibility for that company's investor relations division, working closely with group's American and European operations.

★

VILLAGE GREEN has appointed Mr Richard Dibben as chairman. He is managing director of Dibben Construction, Southampton.

★

EUROTHERM INTERNATIONAL has appointed Mr Joseph Wilkinson to the board.

★

POLLY PECK INTERNATIONAL has appointed Mr Ian Walton as chief executive of Sunzest (U.K.), marketing arm of its international fresh produce business. He was managing director of Hunter Products.

★

NORBAIN ELECTRONICS has appointed Mr Robert Stead, formerly of Hewlett Packard, as marketing director overseeing Norbain Micro, and Norbain Data Systems.

Esso finance director

Mr James L Alcock will be appointed finance director of ESSO on April 1. It is expected that he will be elected to the boards of Esso UK, Esso Petroleum Co, and Esso Exploration and Production UK.

★

CE-ALEXANDERS LAING & CRUICKSHANK has appointed Ms Lesley Powell to head the traded options department. She was with Shearson Lehman Brothers.

★

Mr Charles Monck has been appointed chief executive of the YORKSHIRE & HUMBERSIDE DEVELOPMENT ASSOCIATION, succeeding Dr John Bridge, who has taken a similar post at the Northern Development Company. Mr Monck is business support manager at English Estates.

★

LLOYDS MERCHANT BANK has appointed Mr Peter Kysel a director and head of the international equity team at Lloyds Investment Managers. He will also join the board of Lloyds Merchant Bank. He was a director at Touche Remnant where he was responsible for investment trust activities.

★

Mr Barry Dale has joined the board of LITTLEWOODS ORGANISATION as group finance director. He was finance director for London Regional Transport.

★

Lord Crickhowell has been appointed chairman of FROST & REED (HOLDINGS), a wholly-owned subsidiary of HTV Group. He was Secretary of State for Wales from 1979 until 1987.

★

VIVAT HOLDINGS has appointed Mr Max de Boyson as a non-executive director. He is a director and general manager of Via Banque SA as well as its parent company, Compagnie de Navigation Mixte SA.

★

LLEWELLYN HOMES has appointed Mr Roland Adams an executive director with responsibility for the day to day running of the Eastbourne timber frame and truss operation.

★

Mr Tony Beswick has been appointed deputy managing director of FERRANTI COMPUTER SYSTEMS. He has also been appointed chairman of the boards of Ferranti International Controls Corporation of Houston, Texas, and Ferranti Healthcare Corporation of Baltimore, Maryland. Mr Beswick retains his responsibility for activities based at Wythenshawe as director and general manager.

★

WILLIAM JACKSONS AND SONS has appointed Mr Angus Oughtred to its main board. He is ment director of Grandways, the company's retail division.

★

Mr Roy E. Cain has been appointed general manager of NEM INSURANCE. He was general manager of National Employers' General Insurance Company in South Africa.

★

NATIONAL TELEPHONE SYSTEMS has appointed Mr Robin Allison as export director. He joins from I.T. where he was business development director.

★

Mr Dennis Stevenson has joined the board of BLUE ARROW as a non-executive director. He is chairman and founder of the SRU Group.

★

GEORGE WIMPEY has appointed Mr J.P.F. Cooke as divisional director of Wimpey Engineering.

★

The JOHN E. WILTSHIER GROUP has made the following appointments: Mr Malcolm Darby has been promoted to client services director at Wiltshier South Midlands. Mr Barry Grimes has been appointed to the board of Wiltshier Reading and Mr David Harris estimating director at Wiltshier Construction.

Senior posts at Rowntree

SIR GRAHAM WILKINS

Sir Graham Wilkins will become deputy chairman of ROWNTREE on the retirement of Mr David Cramb in May. Sir Graham is chairman of Thorn EMI. Sir Michael Franklin has been appointed a non-executive director. He recently retired as permanent secretary of the Ministry of Agriculture Fisheries and Food.

★

Mr Simon Wrightson has been appointed to the board of JOHN ARMIT WINES.

★

Mr Ron Corbet has been appointed chief executive and director at AMEV GENERAL INSURANCE CO. He joins from the Insurance Corporation of Ireland where he was general manager with responsibility for its London non-marine branch and group reinsurance. Mr Corbet succeeds Mr Cecil Sherwood who was responsible for the early development of AMEV in Ireland.

★

Former Volvo, Seddon-Atkinson and Hestair group executive, Mr Peter Wragg, has been appointed sales and marketing director of AWD. AWD is a new British commercial vehicle mnufacturer formed at the end of last year by Mr David J.B. Brown following his acquisition of the Bedford truck and bus busines from General Motors.

★

Mr David Maule-ffinch has been appointed a non-executive director of CAPITRAL RADIO. He is a director of Dominfast Investments which has a 17.2 per cent holding in Capital Radio.

★

BARCLAYS BANK has appointed Mr John Scott as corporate director of its London City regional office. He was an executive director of Barclays Bank Australia.

★

Mr Peter Corthine has been appointed divisional general manager by BIS APPLIED SYSTEMS. A divisional director, he becomes responsible for both technical and management training, as well as longer term development.

★

Mr Steve Mason, former chairman of Atlantic Computer Services Group, and president of Atlantic Computers Inc., has launched his own specialist computer leasing business, CAPITAL COMPUTERS, with Guinness Mahon as minority shareholder, represented on the board by Ms Sally Goodsell.

★

Mr Gordon Webster has been appointed divisional sales director of the SOUND DIFFUSION GROUP.

UK COMPANY NEWS

BTR up 17% despite exchange rate

BY DAVID WALLER

EXCHANGE RATE movements had a savage effect on BTR's 1987 pre-tax profits, it emerged yesterday as the industrial holding company announced its 1987 results.

Taxable profits, up £85m to £590m, would have been £43m higher if the 1986 figures had been translated into sterling at end-1987 exchange rates. Earnings per share, up by 11.3 per cent to 23.6p (21.2p), would have been better by 1.8p.

The practice of using year-end, rather than average rates, exacerbated the impact of currency movements. If average rates had been used, pre-tax profits would have been £20m higher.

The full impact of the declining US dollar had not been anticipated by analysts and the figures came in at the bottom end of City expectations. However, the encouraging tone set by the brokers' meeting reversed the initial decline in the share price which ended the day 3p up at 262p.

Sir Owen Green, BTR chairman, said that in local currency terms, "there had been a lot of ups, and fewer downs." Assuming constant currencies, profits would have grown by 27.5 per cent.

He emphasised the group's strong organic growth: but of the increase in taxable profits only a third came from companies bought during the course of the year. Operating margins rose from 13.9 to 15 per cent.

Tilcon, a US company which is part of the construction division, and BTR-Nylex, the Australian subsidiary in which BTR has a 62 per cent interest, were cited as doing particularly well. In the UK, Dunlop Slazenger's profits rose by 50 per cent on turnover up 30 per cent, and earnings improved by 60 per cent at National Tyre.

The transportation division showed the strongest performance, with operating profits up 40 per cent to £126m (£90m) on turnover of £706m (£580m). This reflected a first time contribution from Borg-Warner in Australia.

Despite good results from Dunlop and the Paper Group, the consumer-products division increased its profits by £1m to £151m. Turnover declined from £860 to £799m.

Construction profits rose 8.6 per cent to £113m; energy and electrical by 9.3 per cent to £82 (£75); the industrial businesses by 7.9 per cent to £149m (£138m).

Of group sales of £4.15bn (£3.72bn), £2.54bn (£2.40bn) derived from Europe, £852m (£1.07bn) from the US and Canada; £760m (£539m) from Australasia, the Far East and South Africa.

The interest charge fell from £52 to £31m and minorities absorbed £43m against £25m, reflecting sharply increased profits at BTR-Nylex.

The final dividend was raised to 5.5p (4.75p) per share, making a total of 9.7p (8.25p), an increase of 17.5 per cent.

See Lex

Sir Owen Green: emphasising group's strong organic growth

BOC in $77m US purchase

By Clay Harris

BOC Group, the industrial gases producer, is to pay $77m (£42m) for Selox, a gases company based in Chattanooga, Tennessee. The acquisition will extend BOC's US operations into five south-eastern states.

Profit figures were not available for the privately-owned company, but BOC estimated Selox's sales at $50m in 1988 and said the cash purchase would have a neutral effect on earnings in the current year. BOC will assume an unspecified amount of debt.

BOC said its entry into Tennessee, Georgia, Alabama, Mississippi and South Carolina was especially timely because of the influx of car plants and component suppliers into the region.

The acquisition will leave only one large geographical gap in BOC's US coverage, in oil-producing states like Louisiana and Texas.

Electron in Australian expansion

Electron House, USM-quoted electronic components distributor, said yesterday that it had completed the acquisition of the businesses of Promark Electronics in Australia for an approximate consideration of A$1.2m (£470,000).

Promark's companies in Sydney and Melbourne had a combined turnover of A$3.86m in the year to end June 1986, on which they made a profit before tax of A$43,000.

There is an initial cash consideration of A$850,000 which is subject to stock valuation and a deferred consideration of A$350,000 payable 12 months after completion.

NORMAN HAY, Middlesex-based electro-plating, anodising and injection moulding company, has acquired the trading assets of Plasplate and Technoplate, both of Daventry, for £540,000 cash.

TSW pushes profits up 8% to £1.96m halfway

BY FIONA THOMPSON

TSW, the independent television contractor for the south-west, has increased pre-tax profits 8 per cent from £1.81m to £1.96m for the six months to January 31.

Net advertising revenue rose by 10.5 per cent from £16.01m to £17.69m, giving TSW a 2.4 per cent share of the total ITV network advertising revenue.

"The south-west's attractiveness to advertisers has ensured that, in spite of significantly increased competition, our advertising revenue is more than keeping pace with inflation," said Sir Brian Bailey, chairman.

Programme sales were £309,000, compared with £304,000 last year. Other sales, services and TV Times contributed £267,000 (£247,000). The exchequer levy rose from £867,000 to £948,000.

The tax charge was £785,000, against £665,000. Earnings per share increased to 5.68p (5.29p). An interim dividend of 0.90p (0.83p) was declared.

Sir Brian said that despite the clamour for television franchises to be auctioned in 1992, TSW faced the next franchise procedure with confidence.

Bid for Yorkshire Switchgear

Yorkshire Switchgear Group has received a bid from the Merlin Gerin Group of Grenoble, France, a major European switchgear manufacturer listed on the Paris bourse.

The bid has been supported and recommended by Mr David Hargreaves, YSG chairman, and his board.

The Switchgear name, product range and identity will remain intact and Merlin as undertaken to safeguard the existing rights of all YSG employees.

Delta rises to £64.2m in spite of currency movements

By Philip Coggan

CURRENCY movements knocked £2.8m off last year's pre-tax profits at Delta Group, electrical equipment and engineering company, but chairman and chief executive Mr Geoffrey Wilson was still able to announce an 11 per cent increase to £64.2m in the year to January 2, 1988.

Delta has just announced a major board shake-up designed to steer the group towards a more aggressive growth-based policy after several years of rationalisation and reorganisation.

Mr Robert Easton, formerly managing director of the industrial services division, is set to become chief executive in 1989. A new finance director, Mr Mike Gill, will be appointed in May.

Delta failed in a bid attempt for George H Scholes, the electrical engineering group, last year but Mr Wilson said that with nil gearing, the company was well-placed to make acquisitions when prices became more realistic.

The electrical equipment division increased profits from £28.6m to £33.4m thanks to a much improved result from the circuit protection business. A new miniature circuit breaker will be launched in May, under the MEM brand name.

Engineering profits rose 34 per cent to £14.4m (£10.8m) and the company acquired Nibco during the year, giving it a strong position in the European plumbing fittings market.

Profits in the industrial services division fell slightly to £15.8m (£18.8m) but that was due to a change in status of the African company, Delta Electrical Industries, which is now a related company rather than a subsidiary.

Operating profits for the group were £50.8m (£47m) on turnover of £532.3m (£533.6m). Pre-tax profits also included a contribution from related companies of £12.7m (£11.1m) and of interest of £679,000 (interest payable £340,000). After tax of £22.5m (£20.3m), earnings per share were 28.6p (24.8p).

The final dividend is being increased 22 per cent to 6.1p (5p) making a total of 9p (7.6p).

● comment

Delta has obviously taken note of the City's criticism that it has been better at rationalising than at growing and the management changes and product developments are signs of a new outlook. There has been some talk about a takeover for the group - but with the company earning a return on shareholders funds of 27.5 per cent, it would be hard for a predator to argue that it could squeeze more out of the assets. In any case, Delta is unlikely to wait for a bidder to strike. Now that the crash has restored the importance of cash, Delta, with nil gearing, will be in a strong position to make acquisitions. Although currencies knocked off £2.8m this time, Delta is less exposed to overseas markets than most industrial companies of its size and £73m pre-tax looks plausible this year. A prospective p/e of under 9, with the shares at 260p, scarcely seems demanding.

Duncan & Goodricke

Walter Duncan & Goodricke, banking services group, reported pre-tax profits of £1.43m for 1987, compared with £6.66m.

Earnings per £1 share were 76.5p (309.04p) and the final dividend of 20p is unchanged.

Crash sends Morgan Grenfell profits down 27% to £60m

BY DAVID LASCELLES, BANKING EDITOR

Morgan Grenfell, the merchant banking group, suffered a 27 per cent fall in profits last year, largely because of the effects of the market crash. However, Sir Peter Carey, chairman, said the group had weathered last year's storms, which included the Guinness affair, "remarkably well," and had made a good start to this year.

Pre-tax profits were £60.1m, down from £82.2m in 1986. After a tax charge of £21.5m, the final result was £38.6m. Included was a £32.8m profit from the sale of Morgan's 19.9 per cent holding in Target Group, and large provisions for technology investment and losses on sovereign debt. The result was at the low end of market expectations, and Morgan's shares lost 7p to close at 267p.

Mr John Craven, chief executive, said the market crash had reduced profits by £30m below the target for the year. Worst hit was the equity securities side which registered a year-end loss of nearly £10m. Corporate finance activity and asset management had also been affected. However, all parts of the group were operating satisfactorily, he said, including the gilt-edged business.

Morgan's corporate finance department carried out some 33 transactions worth over £5.3bn and held its place at the top of some City league tables, but that was considerably less than the 111 transactions, worth over £15bn completed in 1986.

Mr Craven declined to break out the profits from this activity, but he said that corporate finance's share was less than in 1986, when it stood at about 30 per cent. There was a better balance to profits as a result, he said.

The asset management operation had $25.2bn (£13.66bn) under management at the end of last year, and contributed £15.8m to pre-tax profits, up from £15.6m the year before.

The banking and fixed income division was also said to have had a good year, but no figures were given.

Last year Morgan decided to withdraw completely from the Third World debt business. It sold off virtually all of its loan portfolio, amounting to £25m-£30m at a substantial discount, and made a provision of £8.7m to cover the resulting losses. The accounts also include a £10m provision for future investment in technology as part of a big catch-up operation which has been launched.

In the future, said Mr Craven, Morgan still intended to develop its international investment banking business, concentrating on its areas of strength. In the UK he said a priority was to improve the group's ability to distribute the securities generated by its corporate finance department.

John Craven: "A better balance to profits"

UK Paper 8p up on offer price

By Philip Coggan

SHARES in UK Paper fell back yesterday as stags took profits after an initial rise to 151p, a 10 per cent premium over the 138p offer price. The eventual closing price was 148p.

The paper producer, which was the subject of a management buy-out from Bowater Industries in September 1986, came to the market valued at £108m. Its offer-for-sale was subscribed 11 times.

First day dealings in Vosper Thorneycroft, the warship builder, which joined the market via a placing, were also volatile. After touching 201p, the shares closed at 183p, still a 15 per cent premium over the 160p offer price.

Low members take only 69% of pref issue

By Nikki Tait

Shareholders in William Low, the Dundee-based supermarket group, have clawed back only 69 per cent of the company's £32m convertible preference issue. According to Low yesterday, shareholders applied for 22.53m preference shares, out of the 32.66m total. The shares – which had already been conditionally placed – were being issued at their £1 par value.

Through the issue, William Low is raising about £31.6m after expenses – money which the Scottish company intends to use to clear debts and fund its programme of updating its stores and expanding southwards. At the time when the fund-raising was announced, Low said that it had chosen the convertible placing route, rather than a conventional rights issue, because of current market circumstances.

Briefs

CATTLE'S (HOLDINGS) has acquired a 50 per cent interest in Amerol, which operates as Hull Indoor Cricket Stadium. Consideration will be satisfied by the issue of 300,000 new ordinary shares and the subscription for cash in respect of 175,000 Amerol shares at 50p. Its net tangible assets at end-November 1987 were £405,854.

M.Y. HOLDINGS, packaging and consumer goods group, has acquired Scunthorpe-based Bluebell Packaging for approximately £160,000. Bluebell manufactures corrugated cartons

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Admiral Comput. ..fin	1.46	May 31	-	1.46	-
Beatson Clark ......fin	5.2	-	5.2	8.5	8.5
BTR ......fin	5.5	May 23	4.75	9.7	8.25
CCF Gp‡ ......fin	1.8	-	1.3	3	2
Church & Co ......fin	8.5	-	7	11.5	9.5
Clarke (T) ......fin	2.37	-	1.99	3.21	2.7
Delta Group ......fin	6.1	June 1	5	9	7.6
Doeflex ......fin	2.3	–	–	3.45	–
Duncan & G'ricke ..fin	20	-	20	20	20
Enterprise Oil ......fin	5.5	-	5	9.5	8.5
Gent (SR) ......int	0.5	May 9	0.36	-	1
Halls Homes‡ ......fin	2.55¶	May 23	-	3.75	-
Hampden H'care ..fin	1.3	May	1.1	1.8	1.6
HTV Group ......int	3.7	May 5	1.13*	-	3.46*
Interlink § ......int	3.25	Apr 22	2.35	-	5.85
Legal & General ...fin	7.7	-	6.5	11.5	9.75
Lyon & Lyon ......fin	3.3	-	2.5	4.8	4
Mayborn Gp§ ......fin	2.3	-	–	3.5	–
McLaughlin § ......fin	5.5	May 19	5	8	7
Morgan Grenfell ..fin	7	-	7	10.85	10.5
Refuge Gp ......fin	12.25	-	10.75	18	15.75
Richardsons West ..fin	1	-	nil	1	nil
Rowntree ......fin	10.5	-	9.2	15.5	13.6
Simon Engineer. ...fin	8.8†	July 1	8.8	11.5	11.5
Town Centre Secs ..int	0.5	-	0.4	-	1.25
TSW ......int	0.9	-	0.83	-	2.7
Watmoughs (Hldg) .fin	6.25	Apr 22	4.83*	8.25	6.5*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ‡Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alba, LWT, Savage, Thomas Walker.
Finals- Conservatrix Trust, John Edward Crowther, George Ingram, Sandvick AB, Sykes Pickavant, Tyzack Turner.

FUTURE DATES

Interims-

Bridport-Gundry	Mar 25
Entertainment Productions	Mar 21
Kingston Oil and Gas	Mar 28
Portland Holdings	Apr 13
Rendeworth Trust	Mar 23
Spectrum	Mar 21
Strong & Fisher	Mar 22
TIP Europe	Mar 24
Unigroup	Mar 21

Finals-

Ayrshire Metal Products	Apr 14
Bank of Scotland	Apr 20
Berkeley & Hay Hill Invs	Mar 21
British Aerospace	Mar 30
Christy Hunt	Mar 23
Colourgraphic	Mar 24
Emess	Mar 29
Empire Stores	Apr 7
Grampian Holdings	Mar 29
Hall Engineering	Mar 22
Hunter	Mar 22
Inchcape	Apr 21
Janier	Mar 22
Jones & Shipman	Mar 23
M Y Holdings	Mar 30
Mackay (Hugh)	Mar 21
Meggitt	Mar 23
Hay (Norman)	Mar 25
Pearson	Mar 28
Raine Industries	Mar 29
Sun Life Assurance	Mar 30
Sycamore	May 18
Watts Blake Bearne	Mar 28
Western Motors	Apr 6
Wills Group	Mar 24

UK COMPANY NEWS

Legal & General lower as storm damage costs £42m

BY ERIC SHORT

THE HURRICANE which hit southern Britain last October also hit the profits of Legal & General Group, one of Britain's major financial services groups, costing it £42m net (£80m before reinsurance).

This turned what would have been a 50 per cent increase on 1986 pre-tax profits of £73.5m into a 7 per cent fall to £68.3m.

A series of exceptional item deductions resulted in operating profits declining by 25 per cent, from £68.5m to £51.2m, with a similar drop in profit attributable to shareholders, after allowing for a drop in the benefit from realised investment appreciation, from £79.9m to £61.6m.

However, shareholders get a near 18 per cent increase in dividends for the year, from 9.75p to 11.5p.

The group recorded steady growth in its operations. Premium income on its long-term business rose by 25 per cent in the UK from £653m to £817m and by 43 per cent overseas from £223m to £320m.

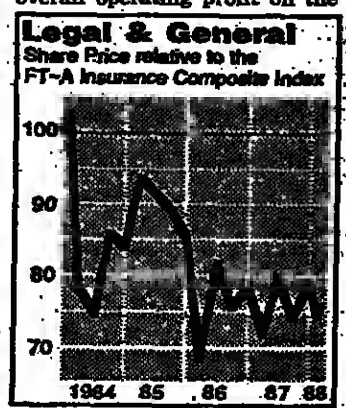
General insurance saw an 16 per cent premium growth in the UK to £225m but rather less otherwise.

Profits from the life, pensions and other long-term business continue to rise steadily.

UK life business profits increased from £59.9m to £70.6m. The special reserve set aside for Aids (Acquired Immune Deficiency Syndrome) of £74m (1.5 per cent of the overall liabilities of £5bn) is offset by the release of the Capital Gains Tax liability of roughly the same amount as a result of the Budget changes. Profits were boosted by the shareholders portion of the special bonus declared to with-profit policyholders.

However, profits from US life business fell from £6.2m to £5.4m, while profits from fund management operations were cut by two-thirds from £4.7m to £1.3m.

However, the general insurance account was severely affected by the hurricane. An overall operating profit on the



general insurance business of £37.6m, against only £4.4m in 1986, was more than swallowed up by the £42m cost of hurricane claims.

Underwriting losses on the motor account fell from £8m to £1.5m as there was a return to stability in accident numbers and the series of rate increases made in 1986 and last year started to come through to the bottom line.

The underwriting losses of the reinsurance subsidiary, Victory Insurance, were cut from £14.4m to £4.5m.

Overall, the profits generated by the international business of Legal & General rose by two-thirds last year in real terms and provided about one-third of the group's pre-tax profits.

● comment

The overall results of Legal & General were very much in line with market expectations. The hurricane losses of £42m net were far higher than anticipated, but this was offset by a special bonus payment that came as something of a surprise given the stock market crash which followed the hurricane. Otherwise the group's general insurance operations have shown a strong recovery from the dolrums of the previous two or three years. The outlook for this year is bright. Life profits should continue to grow, though a repeat of the special payment is not expected. The Aids risk has been put into context with the reserve set aside amounting to only 1½ per cent of overall liabilities and more than covered by the reduction in the CGT liability as a result of the Budget changes. All is bright on the general insurance side. The first 11 weeks of this year have passed without any more severe weather. House building rates are going up 10 per cent in the late spring and the motor account has stabilised. So if there are no more hurricanes this year, net profits could reach at least £90m, though the market remained unimpressed with the share price down 1p to 289p.

Glass Glover shares advance on bid news

BY NIKKI TAIT

SHARES in Glass Glover, the fresh produce grower and distributor, jumped by 65p to 250p yesterday on news that a bid may be on the way.

The company said that an approach had been made "which may or may not lead to an offer being made for the company." The directors are discussing the approach with their advisers, Samuel Montagu, and advised shareholders to take no action.

News of the approach prompted immediate speculation over the bidder's identity. Most attention focused on FII-Fyffes, the Dublin-based fruit and vegetable merchant.

FII-Fyffes – which resulted from the acquisition by Irish fresh produce importer and distributor, FII, of the larger UK fruit distributor, Fyffes, in 1986 – has recently stressed its intention to expand internationally in the fruit business.

Because of St Patrick's Day, the company's main Dublin headquarters were closed yesterday. At the London office, director, Mr David McCann, declined to comment.

Amongst the other mooted names, Albert Fisher ruled itself out, and analysts were sceptical that the likes of Hillsdown, Unigate, Christian Salvesen, Geest or Hunter Saphir would be interested.

Glass Glover last month reported disappointing results for the year to September 30, with trading profits down from £3.46m to £2.53m on sales of £150.2m. At the pre-tax level, helped by a £1.58m exceptional property profit, the figure rose from £2.38m to £2.75m. Around one-fifth of the shares are in family or directors' hands and another 16 per cent split between Scottish Amicable and Scottish Provident.

At the current price, Glover is capitalised at around £37m.

T&N buys Vandervell from GKN for £12.7m

BY JOHN GRIFFITHS

ENGINEERING groups T&N and GKN said yesterday they had agreed that T&N would buy GKN's Vandervell bearings companies for £12.7m in cash.

Mr Colin Hope, T&N group managing director, described the intended acquisition as the latest step in T&N's endeavours to secure a strategic international presence in the motor components industry. However, because the deal would bring the UK's two main automotive bearings businesses under T&N's control, the sale is conditional upon it not being referred by the Office of Fair Trading to the Monopolies and Mergers Commission.

Mr Hope said both T&N and GKN had concluded that this would be highly unlikely, as motor components had become an international, rather than national, business.

Vandervell, which made £1.7m profits before interest and tax last year on a consolidated turnover of £34.8m, makes and distributes automotive thinwall bearings, bushes and thrust washers, mainly from cast lead bronze materials.

Mr Hope said the nature of Vandervell's business, which is directed heavily towards the heavy diesel sector, was complementary to that of T&N's own bearings businesses, Glacier Metal and Société Industrielle des Coussinets.

Beazer warns Koppers

BY PHILIP COGGAN

THE WAR of words over Beazer's $1.3bn (£705m) bid for US aggregates group Koppers continues.

Mr Brian Beazer, the building group's chairman, has sent a strong warning to his opposite number Mr Charles Pullin, about the latter's plan for a recapitalisation to defeat the bid.

The letter also contains a hint that Beazer would be prepared to bid for part of Koppers' construction interests.

"We would expect . . . a full and fair opportunity to bid on any portion of the construction materials business that you may be considering selling."

Koppers rejected Beazer's $45 per share bid on Wednesday and said it was considering a recapitalisation plan which would involve the sale of stock to employees.

However, Mr Beazer says in his letter that such a plan was tried by American Standard, in an attempt to defeat a bid from Black and Decker, only to be rejected by a Delaware court.

EEO chief to resign

The future direction of Ealing Electro-Optics, USM-quoted optical equipment manufacturer, was in doubt yesterday after Mr David Hill, chief executive, announced he was resigning.

Mr Hill had been the head of a group of investors which reversed into EEO last year. In January the company reported that 1987's pre-tax profits were likely to be about half the previous year's £1.27m. Its shares stand at 49p.

UK COMPANY NEWS

Rise in production pushes Enterprise Oil to £72.5m

BY STEVEN BUTLER

Enterprise Oil, the largest UK independent exploration and production company, moved strongly ahead last year, with pre-tax profits hitting £72.5m compared to £2.9m in 1986. Turnover rose to £227.9m from £142.2m.

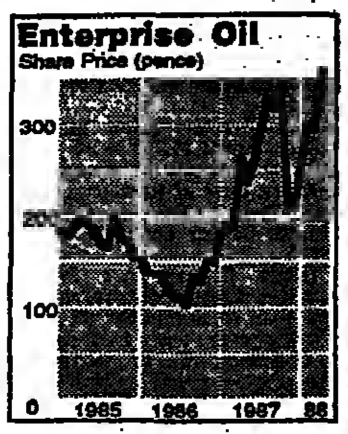
Restated on a merger accounting basis to reflect the acquisition of the oil and gas interests of ICI, Enterprise's 1986 pre-tax profits would have been £51m.

Net profits for the company rose to £50.7m, compared to £23.4m in 1986. Earnings per share also moved strongly ahead, from 10.8p to 17.6p. The tax bill for the company rose to £21.8m, compared to a a £20.5m credit in 1986.

The improved results came largely from increased production which rose from 38,700 to 58,300 barrels per day. This included the start of production from the Ninian and Ness fields, and the oil output from a total of nine producing fields.

Although the average dollar price received for oil rose by 18 per cent, this was mostly offset by the decline in the value of the dollar, with the average sterling price of oil rising from £10.45 to £11.06 per barrel.

Since the end of the year, Enterprise has made two significant oil finds, at Lincolnshire onshore, and in Block 22/11 of the



North Sea, which has been named the Nelson field. Enterprise said yesterday that a second test well on the Nelson find flowed at a rate of 11,000 barrels of oil per day. The field is estimated to have recoverable reserves of between 150m and 175m barrels.

Although the finds promise to double Enterprise's production in the early part of the next decade, oil production this year is expected to decline by about 10 per cent.

Mr William Bell, chairman, said: "The unsettled nature of the oil markets since the end of the year means that it is difficult to forecast the likely earnings trend in 1988, but I am certain that the group will continue to make satisfactory progress."

The company finished the year with net cash of £130m, and gross cash of £300m. Capital spending in 1987 amounted to £58.3m, down from £62.2m the previous year, with £26.8m spent on exploration and appraisal.

The full year dividend came to 9.5p, up 12 per cent.

● comment

Enterprise shareholders would appear to have the best of both worlds – a company that can add to capital values by finding oil and that can pay an improved dividend. Although oil production earnings are likely to be down this year, this should be more or less offset by profits on asset disposals, including a stake in Tricentrol; interest on its £130m cash (it had none last year); and a likely lower corporate tax bill that comes from a capital spend programme. The question is whether the shares have got ahead of themselves. Certainly the recent rise in price to 160p cannot be justified even by the assets implied by the very large Nelson oil discovery. What has been added on is a premium for a management that has shown not only that it can wheel and deal, but can actually find oil. That could be worth paying for.

Britoil rises to £404m in line with forecasts

By Steven Butler

Britoil yesterday issued its final results for 1987, which proved broadly in line with forecasts made during its unsuccessful defence against the bid by BP.

Pre-tax profits rose from £133.8m to £403.9m, while after-tax profits showed a rise from £33.1m to £142.4m. Turnover increased from £978.2m to £1.18bn.

The company paid petroleum revenue taxes worth £187.7m (£76.8m) while UK corporate and overseas taxes came to £73.8m (£23.9m).

Britoil also reported a £3m extraordinary gain from a sale of US assets, compared to a £56m loss last year. Earnings per share, including the extraordinary items rose to 28.88p from a 3.35p loss.

Britoil deferred making any recommendation on a final dividend, which had been indicated at 9p in defence documents. This is because of the awkward position regarding BP's stake in Britoil, which has now reached 92.16 per cent.

When the BP stake reaches 93 per cent, which is expected soon, it will be able to acquire outstanding shares compulsorily. Those shareholders, as well as shareholders who have accepted the BP offer already, would not be eligible for any Britoil dividend, although those who accepted the BP cash and share offer would be eligible for a BP dividend.

Britoil shares yesterday closed at 510p, which is well above the BP cash offer price of 500p. This is because the shares are seen as a way of buying BP shares by means of the alternative offer of 240p cash plus one BP share.

Gent profits up 15% despite lower sales

BY ALICE RAWSTHORN

S.R. Gent, which is one of the leading clothing suppliers to Marks and Spencer, succeeded in increasing pre-tax profits by 15 per cent to £606,000 in the first half of the year, despite disappointing sales.

M and S experienced difficult trading in the clothing field – specially within outerwear where Gent is one of the main suppliers – during the autumn. As a result Gent, which gleans 90 per cent of its sales from M and S, saw its sales fall.

Mr Peter Wolff, chairman, described the company's performance in the first half as "disappointing", but said that sales had recovered in the second half. The pattern of trading so far had, he said, been "most encouraging."

The company's turnover fell to £42.7m (£45m) in the six months to December 31. Nevertheless, it managed to hold operating profits at £1.2m, chiefly by improving efficiency and thereby reducing overhead costs to £41.6m (£43.8m). It paid £783,000 (£789,000) in interest and £164,000 (£102,000) in taxation.

Mr Wolff attributed the reduction in costs to improved production efficiency. He said that the reduction was partly due to the installation of new equipment and partly to "better brainpower" in managing the production process.

Gent's traditional activities – dresses and blouses – now represent just over a third of sales. Mr Wolff said that in recent months there has been an upturn in demand for dresses "for the first time in years".

The company identifies casualwear and children's wear – presently producing about a quarter of sales – as its key growth areas. Its embryonic homewares division should break even next year and produce a profit thereafter.

Gent's net earnings per share were unchanged at 1.2p in the first half. The interim dividend is 0.5p compared with 0.355p.

● comment

When Marks and Spencer catches a cold, all its suppliers suffer. Most have other businesses to turn to: not so S.R. Gent, which is not only almost wholly reliant on M and S, but is concentrated on outerwear, the most difficult area last autumn. Nevertheless, Gent has fared remarkably well – and rather better than than some of its fellow suppliers – in coping with such sluggish sales. Moreover, the M and S switch in strategy – away from the electic and (relatively) expensive ranges of recent seasons, and back to basics – should favour standard suppliers like Gent. There is further scope for cost cutting, albeit at not so rapid a rate as the £2m or so it lost in the first half. The encouraging uplift in sales should boost profits to £2.5m for the full year. Superficially the shares seem cheap on a prospective p/e of 10: but not cheap enough for shareholders to forget Gent's troubled recent history.

Recovery continues at McLaughlin & Harvey

McLaughlin & Harvey, Co. Antrim-based builder and civil engineer, continued its recovery through the second half of 1987 and for the year raised its profits from £1.08m to £1.43m pre-tax.

Activity in all divisions increased substantially during the year and turnover hit a record £65.9m (£50.82m) despite particularly severe winter weather in the early part of the year.

A number of contracts commenced, including a £13.2m office development in Hammersmith, the major refurbishment of Stephenson House in Hampstaed Road, new offices in Belfast and an £18m shopping development at Lisburn, Northern Ireland for Marks and Spencer.

Earnings for the yaar amoumted 22.8p (16.2p) and a final dividend of 5.5p raises the total by 1p to 8p per 25p share.

On the prospects for the expanded homes division and based on construction orders already placed the directors anticipate substantial progress in 1988.

Lyon & Lyon up sharply

PRE-TAX profits of Lyon & Lyon, West Yorkshire-based Ford main dealer and vehicle repair specialist, rose by 85 per cent to £479,582 in 1987.

The previous figure of £259,809 was struck after an exceptional £80,000 provision against the recovery of certain sales ledger balances.

A final 3.3p (2.5p) dividend is proposed, making 4.8p (4p) for the year.

Earnings per share improved to 8.55p (4.7p).

Turnover advanced £1.5m to £17m.

There were extraordinary charges of £87,092, being the cost of an abortive acquisition, and last time the costs of ending ship repair and associated activities took £112,937.

Trafalgar ups stake in Costain

By Nikki Tait

Trafalgar House, the shipping, property and construction conglomerate, has purchased a further 200,000 shares in Costain, the construction and mining company, taking its stake to 6.5 per cent.

This the second time Trafalgar has nudged up its holding during the past month. The last formal disclosure was made in early-February when it held 6.1 per cent, but a subsequent increase to 6.3 per cent was then revealed by Costain's own checks on its share register.

Trafalgar's initial interest in Costain was flushed out in mid-September. The company has consistently refused to comment on reasons for its buying, beyond saying that the stake represents "a commercial venture." Equally, Trafalgar has never disclosed its average buying price; however, the initial holding was acquired last summer at pre-crash prices. In July, Costain shares were trading at over 300p and at levels up to 387p.

Although the shares dropped to a low of 204p during the October crash, the Trafalgar interest has since helped push them back to last summer's levels. Yesterday, they gained another 18p to 318p.

Halls Homes ahead

Halls Homes & Gardens increased turnover from £17.75m to £22.16m for the year to December 31 1987 and pre-tax profit rose 25 per cent from £1.14m to £1.4m.

A final dividend of 2.55p (nil) gives a total of 3.75p for the year (nil). Earnings per share were 5.1p (3.8p).

Newman Industries

Winterbottom Holdings, the Australian industrial company, has sold another 1m shares in Newman Industries, the fastenings group, reducing its stake to 4.96 per cent. Selling in the market, it obtained 68p a share.

Suter, the industrial conglomerate, which took its Newman stake to more than 28 per cent this week, said it was not the buyer.

Concorde Energy shares suspended

By Steven Butler

Concorde Energy, the independent oil company owned 51 per cent by Mr Hubert Perrodo, yesterday suspended trading of its shares at 65p, pending announcement of an acquisition. The shares had risen sharply in the morning, from 53p, during heavy trading.

Concorde is finalising terms for a reverse takeover of Kelt Holdings, which is owned by Mr Perrodo.

The deal would quadruple Concorde's size in terms of oil reserves. Concorde has some 33m barrels of oil reserves, compared to about 100m barrels in Kelt.

OIS offer extended

The offer for Oilfield Inspection Services by a consortium headed by Mr Paul Bristol has been extended until March 18. The consortium has owned, contracted to purchase, or received acceptances for 53.2 per cent of the shares of the company.

Mayborn edges higher

THE EXPECTED better second half helped Mayborn Group to increase its pre-tax profits overall for 1987 from £2.39m to £2.42m. The second-half figures improved from £1.25m to £1.51m.

This USM company, which manufactures domestic dyes, shoe care and household products, reported an 11 per cent increase from £21.54m to £23.51m in turnover. A proposed final dividend of 2.8p makes a total of 3.5p.

At Dylon, profits fell short of expectations, and in the UK, significant costs were incurred in launching new products, such as Runaway, a colour-run remover. The company's listings in certain major accounts materialised later than anticipated.

Generally flat trading conditions also prevailed in some of its major European markets, and as a consequence, overall net margins, while very good in absolute terms, were below those for 1986.

The directors said positive steps had been taken to create more co-ordinated marketing strategy by appealing to the younger, more fashion-conscious consumer.

Mr Michael Samuel, chairman, said sales to-date were showing a satisfactory increase over the previous year and he was confident that a good 1988 was in prospect.

Stated earnings per 5p share were 8.4p, against 10p.

EUROPEAN PROFITS DOUBLE AND MARGINS IMPROVE TO 9%

Rowntree unwraps a 33% rise

BY MICHAEL SMITH

STRONG GROWTH in Europe and an improvement in margins helped Rowntree, the confectionery group, to increase pre-tax profits from £84m to £112.1m in 1987.

The 33 per cent improvement, achieved on turnover of £1.42bn (£1.29bn), was in line with City expectations. Shares in the company fell 7p to 458p.

Earnings per share increased by 17 per cent and a final dividend of 10.5p is proposed, making a total of 15.5p, 14 per cent up on 1986.

Mr Kenneth Dixon, chairman, said the process of selling Tom's Foods in the US and Rowntree Snack Foods in the UK, both snack food subsidiaries, was in its concluding stages.

Both companies had difficult trading years with Tom's trading profits down from £19.5m to £13m and Snack Foods at £1.5m (£1.6m).

In the group as a whole volumes rose 13 per cent and trading margins were lifted from 8.2 per cent to 9.1 per cent. The latter improvement was helped by low cocoa prices, but Mr Dixon said the company was receiving benefits from better mechanisation and from transferring production sites.

The UK confectionery business increased trading profits from £43.8m to £51.2m, helped by a ½ percentage point increase in market share, which now stands at 22 per cent.

Rowntree Sun-Pat, the grocery business, had an "excellent year" increasing profits by £2m to £6.5m.

North American profits rose from £34.5m to £41m but continental Europe was the outstanding region.

Market shares increased in all European countries, volumes rose 11 per cent and profits more than doubled to £11m (5.1m).

Mr Dixon said Rowntree was well placed to benefit from the single European market planned by the end of 1992. A common market would give the company marketing and production advantages. Differences in labelling regulations, for example, would be removed.

Retailing companies accounted for 5 per cent of group trading profits. Rowntree said these were making "steady progress."

After generating cash of £31m in 1987, Rowntree ended the year with gearing of 40 per cent, down from about 50 per cent in the previous year. Borrowings will disappear after the sale of the snack food companies, said Mr David Bowden, finance director. "We are very well placed financially and in a good position to move forward with our growth objectives." Mr Dixon said the company was looking at a number of acquisition possibilities but did not feel under any pressure to buy.

Kenneth Dixon: well placed for single European market

See Lex

Church advances 15% to £5.9m

BY ALICE RAWSTHORN

Church & Co, which sells classic brogue shoes to fashion victims and City Sloans Rangers alike, yesterday announced a 15 per cent increase in pre-tax profits to £5.9m in 1987 on turnover which rose by 5 per cent to £61.5m.

The company, which is both a manufacturer and a retailer of footwear, has established a network of 115 shops in Britain and 51 in North America. It also has a small chain of shops elsewhere in Europe.

Mr Ian Church, chairman, said that trading had been "very good" in 1987. The pattern of business in the first half of the year was, he said, "exceptionally buoyant". Church's performance in the second half had been "not quite as good", but was nevertheless "very satisfactory".

Church made operating profits of £6.7m (£6.1m) in 1987. It paid £819,000 (£1.1m) in interest on reduced borrowings and £2.1m (£2m) in taxation. The company received £17,000 (£6,000) from its minority interests. Earnings per share increased to 35.2p (29.1p). The board proposes a final dividend of 8.5p making 11.5p (9.5p) for the full year.

Church is one of the few successful exporters in the British footwear industry. Last year about 70 per cent of its output was sold overseas. Mr Church said that the company had continued to benefit from the "tremendous vogue" for traditional British goods like its welted men's shoes.

The company has now established a significant presence overseas. Mr Church said that all the international businesses – in North America and Europe – fared well. Yet the strength of the pound reduced the contribution from the US and Canadian subsidiaries by about £300,000.

The expansion of the European operations in recent years has, however, ensured that North America is no longer the company's biggest overseas market.

A. Jones, the company's retail subsidiary, unveiled an increase in pre-tax profits to £1.9m (£1.5m) on turnover which rose to £29.1m (£26.8m). Earnings per share increased to 121.1p (86.5p) and a dividend of 29.5p (26p) is proposed.

Mr Church said that the present year had begun well and that the company continued to show growth, even compared with its exceptionally strong performance in the opening months of last year. He expressed his concern at the recent rise in leather prices but said that, all in all, the pattern of trading was "very encouraging".

CCF climbs to £4.1m but expects nervous year

CCF GROUP, an international financial software house, reported a substantial increase in pre-tax profits – up from £2.52m to £4.06m – in 1987, and the total dividend is increased from 2p to 3p net with a final of 1.8p. Stated earnings per 5p share of this USM company improved from 15.9p to 20.4p.

The group announced last week that it had won its first major Japanese bank as a client – the Yasuda Trust Bank of Tokyo. Yasuda is the third contract that CCF has signed for the TUFFS system in Tokyo since opening a representative office in Japan last October.

The company said yesterday that early indications suggested 1988 was going to be a *nervous* year for its market place.

Group turnover for 1987 climbed from £11.37m to £20.61m, with UK activities contributing £18.16m compared with £10.05m. There was a tax charge of £1.58m against £933,000.

HTV rises to £8.32m halfway

BY FIONA THOMPSON

THE GOVERNMENT'S determination to auction television franchises to the highest bidder is a "mildly disgusting idea", Mr Patrick Dromgoole, director of television at HTV, the ITV contractor for Wales and the west of England, said yesterday.

To guarantee in advance a certain level of income without knowing what the economy would do was foolish, he said. The result would be to cut programme costs, and, "if you cut costs to the bone, you will not see the superb quality, expensive programmes produced – they are not economical".

As a result, it would be highly unlikely that quality programmes such as Brideshead Revisited, The Jewel in the Crown, or London's Burning would ever again be made.

Mr Dromgoole was speaking on the day HTV announced pre-tax profits of £8.32m for the six months to January 31, compared with £7.81m for the same period last year. That was after paying an exchequer levy of £3.3m, against £4.3m.

HTV has fine art and equipment hire interests, but television accounted for 98 per cent, or £64.53m, of the group's total turnover of £65.85m (£59.49m).

The bulk of the £64.53m came from advertising revenue, which rose by 8.1 per cent to £47.21m (£43.66m), giving HTV a 6.43 per cent share of the total ITV network advertising revenue, slightly down on last year's 6.58 per cent. Sales of programmes to the ITV network brought in an unchanged £1.5m, to S4C, the Welsh fourth channel, an unchanged £9.9m, but sales overseas jumped sharply to £5.20m from £423,000 last time.

Of group operating profit, television contributed £8.06m (£7.24m), but both the fine art and equipment hire businesses made losses. Frost & Reed made an £88,000 loss compared with a profit of £223,000, mainly because of unstable economic conditions in the US, the company's main fine art market. HTV Enterprises, the equipment hire business set up at the beginning of this financial year, made a first time deficit of £41,000.

HTV's objectives were clear, said Sir Melvyn Rosser, chairman. They were to retain the programme contract for Wales and the west of England following licence renewal in 1993, to sharply increase its share of programmes sold to the network, and to maintain its sales to S4C once its contract to provide nine hours a week expires in 1990.

The tax charge was £3.05m (£2.72m). Investment income was £378,000 (£142,000). Earnings per share 24.92p (24.08p) and an interim dividend of 8.7p (3.2p) was declared.

● comment

The City was slightly disappointed with these figures and the shares fell 14p last night to close at 241p. Analysts knew HTV's advertising revenue growth was below the network's 10.6 per cent average, but had thought the strong increase in overseas sales would impact more on profits than it did. The fine arts loss did not help and there are worries about losing the guaranteed income from S4C – £22m in 1987. All this is set against the continuing advertising trend towards the south. That said, HTV's international sales are very good, it should gain network sales in September once the Big Five's hours are reduced, and, the likelihood is it will probably keep the bulk of its S4C business. At about £13m pre-tax for the full year, the prospective p/e is 6, fully valued.

Hampden Homecare improves

Hampden Homecare, Northern Ireland-based home improvement retailer, increased pre-tax profits from £1.02m to £1.27m for the year to January 2 1988 compared with the previous period of 53 weeks. Turnover was up from £16.45m to £18.61m.

A final dividend of 1.3p (1.1p) gives a total of 1.8p (1.6p).

Mr John Goldstone, chairman, said a plan to establish Texas Homecare stores in the Irish Republic had been approved and negotiations were taking place for the first site in Dublin.

Distribution costs were £4.29m (£3.46m), administration expenses £906,000 (£798,000), interest payments £47,000 (£1,000), and after tax of £465,000 (£327,000) earnings per share came out at 8.06p (6.92p).

The company's shares are traded on the USM.

UK COMPANY NEWS

POOR ORDERS, LOW TURNOVER AND THE WEAKENING DOLLAR HIT PROFITS

Simon drops by 16% to finish at £23.5m

BY ANDREW HILL

Simon Engineering, equipment, services and manufacturing group, announced pre-tax profits down nearly 16 per cent to £23.5m for the year to December 31, compared with almost £28m in 1986.

Profits were hit by poor orders and low turnover in the engineering and process contracting business, combined with £1.8m lost in currency translation due to the weakening US dollar.

Pre-tax profits in the engineering contracting division more than halved to £4.22m (£10m). The Stockport-based company said a dearth of consistent investment in large chemical and petro-chemical plants since 1979 had adversely affected the process contracting business.

Mr Roy Roberts, chairman, said the process contracting division, which finally signed a £260m contract to build an electronics factory at Yerevan in the Soviet Union in December, would shrink slightly this year, although Simon-Carves, the main subsidiary, already has £20m in orders, excluding the Yerevan contract.

The group hopes the acquisitions made in the past few months will improve profits in 1988. The purchases includedtwo US companies in the access and firefighting sector, where further expansion is anticipated this year.

Turnover in the whole group increased to £541m (£503m), with sales in the manufacturing and services divisions increasing by 26 per cent and 32 per cent respectively. Manufacturing made pre-tax profits of £8.13m (£7.85m) and services £10.1m (£7.15m).

Simon says the company has strengthened its management in the past year and will now concentrate on the development of embryo sectors within the group.

The company, which fought off a bid from Mr Philip Ling's Valuedale in January 1987, is recommending a final dividend of 8.8p, making 11.5p for the year, unchanged from 1986.

"We kept our dividend precisely where it was to indicate our confidence in the following years," said Mr Roberts.

Earnings per share last year were down to 24.4p (29.3p) before an extraordinary loss of £3.44m incurred in ending some activities.

● comment

Simon says it is not heavily dependent on contracting, but the City refuses to play the game, with analysts pointing out that errors in major contracts have a disproportionate effect on company figures. On the other hand, margins remain comparatively high in the services sector and, in manufacturing, Simon's development of airport ground safety and support systems is impressive enough. More US acquisitions in this area are a possibility this year, offset by disposals of food process contracting subsidiaries. Meanwhile Simon's transformation from a cash-rich company to one with 20 per cent gearing, and the continuing payment of high dividends are symptoms of the group's intention to remain independent following its scare with Valuedale last year. Last year may have been a turning point for the company, but the concrete results of much management reorganisation are yet to be seen. A cautious forecast of £28m or £29m for 1988 puts the shares, unchanged yesterday at 276p, on a prospective p/e of about 10. For the time being they look fairly valued.


Roy Roberts – the dividend is "to indicate our confidence"

Richardsons W'garth progress

Richardsons Westgarth, Surrey-based steel stockholder, yesterday reported a tenfold improvement in profits from £24,000 to £277,000 pre-tax for the 1987 year.

However there was £115,000 of interest received as against a payment of £42,000 last time and group sales were down from £12.61m to £10.79m.

Mr David Burnet, chairman, said that while the profits were the highest since 1980, they did not do full justice to the underlying profitability of the companies now in the restructured RW group.

He pointed out that their aggregate taxable profits for 1987 were £914,000.

Earnings amounted to 1.4p (0.2p) and shareholders are to receive a dividend of 1p, their first for five years.

John O Holt, acquired in October, achieved profits of £582,000 pre-tax of which only £92,000 was included in RW's results.

A loss of £146,000 incurred by Burgess Heating Merchants, since sold, was taken above the line. However, a net profit of £402,000 on the sale was taken below the line as an extraordinary item.

Group profits for the first two months of 1988 were ahead of last year. Mr Burnet said the group was looking for further growth, both organically and by acquisition, and was well placed to finance this with substantial cash resources and the ability to issue new shares to vendor shareholders.

Doeflex unchanged at £1.16m

An unsatisfactory year in its thermoplastic sheet and technical materials divisions left Doeflex with almost unchanged pre-tax profits despite a 63 per cent increase in turnover for 1987.

On turnover of £21.61m (£13.29m), boosted mainly by the new polymer distribution division, taxable profits came out at £1.16m (£1.14m). Earnings per 10p share were 8.78p (8.27p) and a final payment of 2.3p is proposed for a total of 3.45p.

Directors said the pvc disivsion continued to go from strength to strength in the second half. in the present year the pvc division is expected to continue growing.

The polymer distribution division has now been sold to its management.

Interlink rises 45% and extra capacity planned

Interlink Express, USM franchised overnight parcels distribution and dalivery company, returned profits of £3.08m pre-tax for the half year to end-December, an increase of 45 per cent over last time's £2.13m.

Turnover pushed ahead from £9.88m to £15.08m. The directors' internal forecast for the second six months indicated that the volume of business would continue to increase.

Capital expenditure of some £1m has been authorised for a new parcel sorting and handling system. This would increase capacity by at least four times.

Earnings for the opening half year improved to 12.23p (8.66p) and the interim dividend is being stepped up by from 2.35p to 3.25p.

Interlink Ireland continued to improve, achieving an operating profit for each of the last two months of the half year.

The group was planning to begin operating in at least one more European country in 1989.

T. Clarke improves to £1.54m

Pre-tax profits of T. Clarke, electrical engineer and contractor, rose from £877,537 to £1.54m for 1987.

Earnings worked through at 9.72p (5.53p) and a final dividend of 2.3725p makes a total of 3.212p (2.698p). Clarke is ultimately owned by Credit Suisse of Switzerland.

Watmoughs nears £5m and adopts policy for growth

Watmoughs (Holdings), colour printer, publisher and process engraver, announced a 55 per cent jump in pre-tax profits for 1987, from £2.12m to £4.81m. This was achieved on turnover up 31 per cent from £41.12m to £53.91m.

Mr PG Walker, chairman, said that the directors had been adopting a policy of growth through investment in the most advanced technology and a commitment to take the group into new markets.

He said that strong benefits had come from that strategy and the group was now well positioned in the specialised sectors of the gravure and web offset markets to meet the increasing demand for quality magazines and colour supplements – indeed the group's gravure and web offset capacities had been heavily committed throughout the final six months of 1987.

Earnings per share on a net basis rose to 26.85p (18.9p) and the directors proposed a final dividend of 6.25p (4.83p adjusted) to make a total for the year of 8.25p, an increase of 27 per cent after the one-for five scrip issue. They also proposed a further scrip issue on a one-for-five basis.

Mr Walker added that profit and turnover in the first two months of 1988 were encouragingly ahead of last year.

LMS plans £60m debenture issue

London Merchant Securities is raising £60m by an issue of first mortgage debenture stock 2018. The margin will be 1.15 per cent over the gross redemption yield of the 13½ per cent Treasury stock 2004/2008.

The rate of interest and issue price was determined by the price of the Treasury stock at 3pm yesterday. The stock will be paid up as to 25 per cent immediately and the balance in five months.

Town Centre ahead

A 12 per cent improvement in pre-tax profits, from £1.51m to £1.68m, was announced by Town Centre Securities, property investor and developer, for the six months ended December 31 1987.

Gross rental and investment income amounted to £4.51m (£4.1m).

The interim dividend is lifted 25 per cent to 5p on earnings ahead at 1.17p (1.07p) per share.

Admiral Computing 22% ahead and order book strong

BY DOMINIQUE JACKSON

Admiral Computing Group reported pre-tax profits up 22 per cent from £1.02m to £1.25m for the year to end December 1987, its first full set of preliminary results since obtaining a full listing in March 1987.

As forecast in September, shareholders are to receive a dividend of 1.48p per share.

Admiral, a software developer and consultant in defence and financial services, warned at the interim stage that a slowdown in new orders would result in lower growth than previously anticipated for the year.

Turnover increased by 30 per cent to £3.67m (£2.82m). After tax of £459,000 (£390,000) earnings per share rose from 7p to 8p which represented a rise of 14 per cent on the increased share capital.

Mr Clay Brendish, chairman, said despite the note of caution intimated in his interim statement, the latter part of the year saw the expected increase in orders and the order book was substantial at the year end.

There was impressive growth in the newest market, Government contracts, which accounted for 18 per cent of turnover in 1987, up from 1 per cent in 1986.

In financial services, Admiral completed several contracts placed prior to Big Bang and won further orders, including one with Tandem Computers to develop and install a settlement system for the Association of International Bond Dealers.

Mr Brendish said the defence market remained competitive.

Overall, exports accounted for 8 per cent of turnover, all destined for Europe and predominantly for Nato.

The chairman said the strength of the order book showed that the delay in orders experienced in 1987 appeared to be over.

He added that he was confident that the group would make further progress in 1988.

Beatson Clark rises to £1.6m

Beatson Clark, Rotherham-based glass bottle and jar container manufacturer, reported pre-tax profits of £1.56m for the year to December 26 1987. That compares with £1.27m for the previous 12 months.

The proposed final dividend is maintained at 5.2p making an unchanged total of 8.5p.

Last October Sir Ron Brierley, the Antipodean entrepreneur, took a 9.6 per cent stake in the company.

Total turnover was up £7.6m at £42.3m, of which home turnover increased by £5.88m to £32.4m. and export and overseas was up £1.8m at £9.9m.

After tax of £622,000 (£525,000) earnings per share were 12.7p (11.7). There were extraordinary debits of £223,000 (£1.9m).

COMMODITIES AND AGRICULTURE

Venezuelan 'liquid coal' could alter energy market

BY JOSEPH MANN IN CARACAS

VENEZUELA WILL launch commercial production of Orimulsion, a so-called liquid coal made from extra-heavy petroleum, next year.

Mr Renato Urdaneta, president of Lagoven SA, a subsidiary of Petroleos de Venezuela (PDVSA), the country's national oil company, said it had lined up potential clients in the US, Canada, Europe and Japan.

Development should change the world energy market because:

● The product would compete with coal in steam-generating plants.

● Venezuela had capacity to make big volumes of the product.

Orimulsion should provide Venezuela with substantial export revenues over the medium term.

A press report in Caracas said exports of 1.5m barrels a day of Orimulsion could generate extra income of US$2bn a year in the mid-to-late 1990s.

Petroleum exports are Venezuela's main source of income. Oil exports last year were $9.1bn out of total exports of $10.5bn.

Orimulsion was a mixture of extra-heavy crude oil, that is bitumen, water and a special chemical additive developed in Venezuela, said Mr Urdaneta.

His company had worked for years in an industry-wide effort to develop new technology for producing, transporting and testing the product.

The heavy petroleum or bitumen that is the basis of Orimulsion comes from Venezuela's Orinoco heavy-oil belt, the world's largest-known accumulation of hydrocarbons.

He said Venezuela's oil industry expected to place a minimum 50,000 b/d of Orimulsion with foreign clients by next year's end.

He saw potential sales of 600,000 b/d by the mid-1990s and 1m b/d by the year 2000.

Orimulsion has been tested by companies outside Venezuela, including Combustion Engineering of the US, Mitsubishi Heavy Industries in Japan, and BP and Shell in Europe.

Tests were made in Venezuela by Intevep, the research and development arm of the national oil industry. BP provided technological aid to develop Orimulsion.

The Venezuelan Government said it would soon use Orimulsion in domestic thermoelectric plants.

Orimulsion will be sold internationally as a liquid coal, cheaper than fuel-oil and competitive with coal. Venezuela believes the product will be competitive because of its calorific output and its ease in handling and storage.

Orimulsion can be moved like oil and does not need bulky storage facilities. Its disadvantages include sulphur and vanadium content, and minor changes must be made in conventional oil-burners for Orimulsion use.

Venezuela, to avoid problems with other Opec members on output quotas, is classifying Orimulsion as a non-conventional hydro-carbon, because it cannot be processed in conventional refineries today.

Venezuela's Minister for Energy and Mines, Mr Arturo Hernandez Grisanti, said: "From the technical point of view, it is impossible to consider non-conventional Orimulsion fuel as a hydrocarbon derivative."

He said Orimulsion was "a kind of liquid coal."

Orimulsion output and sales would be stated in metric tonnes, like coal.

Miri Zlatnar in London adds: Six weeks ago a test contract began with Babcock Power, in Glasgow. In May a contract to supply 150,000 tonnes of Orimulsion starts with New Brunswick power-station, being converted to use the fuel, the first unit now nearing completion.

In July-August the start of a special project with Chubu of Japan has secured an initial supply of 5,000 tonnes of Orimulsion. It will go to the Shin Nagoya project, specially designed to evaluate alternative fuels – Orimulsion, coal-water mixtures and micro-coal.

As a result of joint feasibility studies under way with seven power-stations in Europe, the US, Canada and Japan delivery of commercial trial-cargoes into main markets is expected throughout this year.

Australia cuts oil estimates

BY CHRIS SHERWELL

THE AUSTRALIAN Government's Bureau of Mineral Resources has revised future crude-oil output estimates downwards to the year 2000.

Figures presented to the annual petroleum and minerals review conference in Canberra show a new median, that is 50 per cent probability, estimate of output from undiscovered fields for the year 2000 of 81,000 barrels a day.

This compares with a 1986 estimate of 206,000 b/d. Similar revisions were made to median estimates for all the 1990s. The high, that is 20 per cent probability, estimates were also cut.

The adjustments hold implications for Australia's balance of payments, in serious deficit.

The bureau said output figures were lower because its assessment of Australia's undiscovered oil resources was cut. They are also based on a lower average level of offshore drilling, a lower efficiency of exploration and longer lead-times between discovery and output.

Undiscovered crude-oil resources are reckoned to lie between 1,900m barrels, that is 80 per cent probability, and 2,900m barrels, that is 20 per cent probability.

In a separate report the bureau said overall mining output's value last year rose by 11 per cent to almost A$22bn, while mining exports' f.o.b value rose 6 per cent to a record A$16bn.

Of this, about 80 per cent was accounted for by black coal, iron ore, aluminium, gold and petroleum. Coal achieved record levels of output, export and domestic use, as did aluminium, alumina and bauxite.

However, the bureau says recent growth reflects the investment surge in the early-1980s, which is slowing. The return on shareholders funds of 6.5 per cent in 1986-87 remains well below the 20 per cent peak seen in 1980.

The bureau said continuing downward pressure on coal and iron-ore prices should be seen with concern because there appeared little immediate prospect of a reversal in the trend.

Coal and iron ore contributed 34 per cent of total value of Australian mineral exports last year.

The Bureau of Agricultural and Resource Economics, also part of the Government, said the clear north-Asian orientation of Australian mineral exports could be expected to undergo an adjustment in coming years.

Japan was likely to relocate more manufacturing capacity offshore and would therefore show a decline in imports of raw materials and increase imports of processed and finished products.

Mineral imports of countries like South Korea and Taiwan would rise. China would offer substantial market chances because, although it possesses large mineral reserves, it is expected to concentrate effort on metal-processing and to import raw-material shortfalls.

The bureau projected an average 1.8 per cent annual growth in the real value of Australian mineral resource exports over the 1988-2000 period. The growth figure, excluding net imports of petroleum products, is much higher at 3.4 per cent.

The bureau said net imports of crude oil would be at A$4.5bn (in 1986 dollars) in the year 2000. However, higher exports of LNG and uranium should offset the expected rise in petroleum imports.

The bureau says the relative importance of coal and iron ore may fall over the period, while gold export values are expected to peak next year.

In other presentations to the two-day conference, prospects for other individual minerals were generally seen as positive. For example, Australia will remain a large-scale producer of aluminium and mineral-sands concentrates.

Little real growth is expected for lead and zinc, although the 1990s should be kinder than the 1980s. For tin, supply and demand are likely to approach balance by this year's end.

Miners halt Australian gold and nickel

By Chris Sherwell in Sydney

ABOUT 600 mineworkers have halted Western Mining Corporation's underground gold and nickel operations at Kambalda, Western Australia.

Their strike, which began on Wednesday, has intensified the nervousness of a jittery nickel market in London where prices have more than trebled over the past 15 months.

Over the past two days news of the industrial trouble has helped to send the three-month nickel price on the London Metal Exchange to a record $11,625 a tonne. The price rose by $500 a tonne yesterday and by $350 on Wednesday.

Australia is a smaller nickel producer than Canada or the Soviet Union but its nickel exports account for about 14 per cent of demand from non-centrally planned economies.

Western Mining is easily the country's most important producer. In the six months to January 12 it sold 24,500 tonnes of nickel, up 23.5 per cent on the corresponding period the previous year. Most of this came from Kambalda.

The trouble is thought to spring from demands by the members of the Australian Workers Union for assurances Western Mining will not start contracting out underground work.

Most of such work is done by wage-earning employees under their own contracting system. However, they fear the gold-mining industry's increasing tendency to contract work out will soon extend to them.

The investment has emerged as the industry has shifted from extracting new surface deposits to developing deeper deposits.

The surface work of moving materials from open-cut mining is often done by civil contractors. This is being extended to underground operations.

Metal-trades workers at Kambalda are thought not to be involved in the strike. The company is hopeful the problem will be resolved by early next week.

However, inter-union rivalry could be a complication. Kambalda last suffered a strike about 18 months ago when nickel prices were depressed.

In spite of nickel-market tightness the Kambalda row should not immediately affect its physical flow of nickel to market. Stockpiles are feeding its smelter and refinery.

In 1986-87 the smelter treated 436,000 tonnes of nickel concentrate, containing 52,000 tonnes of nickel. The refinery made almost 25,500 tonnes of nickel in all forms.

The sharp upturn in the world nickel price stems from higher demand, shortfalls in supply and low levels of stocks. As a result, prices are highly volatile and vulnerable to short-term changes in supply and demand.

Malaysian cocoa stays on course

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA, THE world's fourth-largest, most-efficient cocoa producer, is taking cocoa prices' sharp fall in its stride.

Crop profits have been squeezed badly; some planters may be revising expansion plans; but the country as a whole is staying on course with its massive planting programme.

In 1980 Malaysia produced 35,000 tonnes of cocoa. Last year output soared to 170,000 tonnes. The 200,000-tonne mark could be passed this year. Malaysia hopes that by the year 2000 it will rival big-league producers Ivory Coast and Brazil.

A western diplomat in Kuala Lumpur who monitors the agricultural scene said: "Malaysian and Indonesian cocoa-growers operate in a different environment from African cocoa-farmers. They have quite a different perspective of the current cocoa crisis."

In Malaysia and Indonesia most cocoa was grown by big estates as part of their diversification from rubber and oil palm. While these estates may not be making much money from cocoa now, their overall cash position was strong because of high prices for the other two commodities.

He said planters in Sabah, the east-Malaysian state, who had relied mainly on cocoa could be badly hit by depressed prices.

They were drawn by the golden prices of the mid-1970s and had gone heavily into cocoa-cultivation on bank loans. They had difficulty serving banks.

Dato Bek-Nielsen, Danish-born senior executive director of United Plantations, said: "I can see cocoa prices going even further down, perhaps to £700 a tonne in coming months, because of the growing world surplus."

He noted Ivory Coast and Brazil failed to contribute to the International Cocoa Organisation and that its buffer-stock manager could no longer support prices.

However, United Plantations is not too worried about cocoa prospects. UP has 8,500 acres under cocoa. It plans to convert another 4,000 acres of oil palm to cocoa by 1991.

Dato Bek-Nielsen saw the cocoa crisis as similar to the palm-oil crisis in early-1986, when there was nearly 1m tonnes of palm-oil stocks. Prices plunged to 430 ringgit a tonne, 150 ringgit below Malaysian output costs.

Planters withheld fertiliser inputs and slowed plantings. By that year's end prices were again profitable.

By this year's end the world's cocoa surplus could be between 800,000 tonnes and 900,000 tonnes, equivalent to nearly 50 per cent of annual consumption.

Some Malaysian officials say that if prices continue to weaken it might make more sense for some African farmers to switch to corn or quick cash-crops.

South-east Asian cocoa-growers are better-placed to weather the crisis than their African or Latin American counterparts, for these reasons:

● Many African countries' currencies are linked to the French franc, which has appreciated against the US dollar while Malaysian and Indonesian currencies have depreciated.

● Although cocoa prices have fallen steeply in terms of sterling, the current price of about £950 a tonne in Malaysian currency is still 4,560 ringgit.

● Malaysian cocoa sells at a £180-a-tonne discount on the London market because of its high acidity and lack of flavour.

Even taking this into account, Malaysian planters are still profiting, because their average output cost is about 3,000 ringgit a tonne.

Malaysia has refused to join ICCO since cocoa was designated its third export crop, after rubber and palm oil. It fears membership would limit its output when it has scope for expansion.

Malaysia would also be disadvantaged because the Lome Convention favours African states in terms of market access to the European Community.

Malaysia sees cocoa potential in fast-growing Far Eastern markets. A Malaysian trade official said: "If we can get the Chinese and Japanese to switch from tea and coffee to cocoa drinks, as well as consume more chocolates, we would be doing well."

Indonesia stays confident of expansion

INDONESIAN COCOA-producers are confident they can weather the current fall in cocoa prices, writes John Murray Brown in Jakarta.

Their confidence follows delegates' failure, at crisis talks of the International Cocoa Organisation in London last week, to agree support measures for the $5bn-a-year world cocoa market.

Indonesia, one of the biggest producers outside the deal, enjoys low output costs and high productivity, local traders say.

Mr Ibrahim Hasan, who runs Indonesia's biggest cocoa business with interests in plantations and marketing, says: "I don't think we will be the first to go."

He says Indonesian output costs average between $500 and $800 a tonne. Prices on the London market were yesterday trading at £980 ($1,700) a tonne.

Traders here expect Indonesian output, about 43,000 tonnes last year, to fare better than that of West African producers and Brazil. Productivity is said to be five times greater.

Over half Indonesia's estates are in private hands, another factor making producers more efficient and responsive to price movements.

Prices are now at a five-year low. Yesterday Mr Hasan said he expected a further drop before the market firmed up again.

Indonesia is still only a minor player in the world's cocoa league, way behind Malaysia.

However, Indonesia plans a massive cocoa-expansion programme, rehabilitating existing government-run estates and increasing plantings in outer islands, particularly on Kalimantan and Sulawesi.

This is in parallel with with other bush- and tree-crops expansion.

The World Bank has described the plan as the largest-ever tree-crop investment, worth in total about $6bn.

Rapeseed offers salvation

BY JOHN BUCKLEY

EUROPE'S OILSEED industry is pinning its salvation on new, so-called double-low rapeseed varieties to boost animal-feeds consumption.

The European explosion in rapeseed output has resulted in severe cuts in European Community support following last month's agricultural summit, while new rules will mean only the new double-low varieties will be subsidised after 1991.

However, crush-industry sources told a seminar held by Kenneth Wilson Agriculture in London last week that UK farmers could not afford to wait until the 1991 deadline, because continental growers were already sowing the new varieties.

Double low, in trade parlance double zero, rapeseeds have been specially bred with low content of glucosinolates.

These are glucose and sulphur compounds that give mustard, from which rapeseed derives, its sharp taste.

The chemical can cause problems with digestion as well as palatability to animals, and can even taint the taste of eggs from rape-fed chickens.

Further, and not surprisingly, it has severely restricted rapemeal use in EC animal-feeds.

Europe's seed-breeders have worked overtime to solve the problem. Several tried-and-tested double-lows are now widely available, enabling Danish and West German farmers to sow all their crops to them last year.

France is also well ahead of the UK where only a small percentage is double. This could rise to between 60 per cent and 80 per cent this autumn, as UK growers appreciate premiums fetchable over old, so-called single-low, varieties.

Processors and feed-compounders were gearing for expanded offtake, too, said Mr Peter Bates, of Unitollis, a UK crusher.

In the UK cattle sector alone there was potential to boost rapemeal-use from 620,000 tonnes to 830,000 tonnes, to supply 20 per cent of feed-inputs, compared with only 15 per cent from present single-low varieties.

Big gains were possible in pig and poultry sectors, too, aggregating a potential market for 1.32m tonnes of meal, equal to a 2m-tonne rapeseed crush.

The record UK crop last year was 1.26m, while total UK meal-output from all sources at 1.1m was, at 2.7m tonnes, less than a third of demand.

Mr Bates tried, at a time oilseeds are more usually described in surplus, to put the record straight by drawing attention to the scale of the continuing EC deficit.

EC-10 so-called soft, that is mainly rape/sunflower, oilseed output of 9.1m tonnes fell 1.4m tonnes short of crush capacity. Main oils and fats output was 9.5m tonnes, against demand of 11m tonnes.

However, these gaps were dwarfed by that of the oilmeal sector. There, EC output of 14.2m tonnes compared with demand of 38m tonnes.

This meant heavy dependence on imports, which past events, especially US soyabean embargoes, showed could easily leave EC industry a hostage to fortune.

Brazilian sugar chief dismissed

By John Barham in Sao Paolo

PRESIDENT SARNEY of Brazil has dismissed the acting head of the Sugar and Alcohol Institute (IAA). The move was expected after reports of a row between the acting head and the Trade and Industry Minister responsible for the IAA.

The new IAA president is Mr Marcello Piancastello de Siqueira, a senior adviser to Mr Jose Hugo Castello Branco, Trade and Industry Minister. Mr Nilson Miranda Motta, the dismissed head, angered the minister by refusing to export 600,000 tonnes of sugar in January.

The ministry said Mr Motta was relieved of duties because he had fulfilled his mission to promote sugar-and-alcohol industry reform, to introduce external audit of the IAA, and to promote inquiries into illegal activity.

The institute ovarseea the industry, regulates ontput of fuel-alcohol for cars and monopolises sugar exports. It has long been criticised for overstaffing, inefficiency and corruption.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM PRICES reached record highs on the LME in early trading before profit-taking in the afternoon took some of the steam out of the advance. Even so three-month 99.7 per cent pure metal closed at an all-time high of $2,280 a tonne, a rise of $35, while the 99.5 per cent added £35 to £1,239.50. The advance was fuelled by trade and speculative buying against a background of a buoyant physical sector, the approaching expiry of a labour contract at Kaiser Aluminum's US smelters and constructive charts, traders said. Meanwhile the bull-run continued in Biffex dry cargo freight futures, with the July contract adding 34.5 points to 1,579 points after the Baltic Freight Index on which it is based hit a record 1,610.50. The gains were boosted by reports of heavy Chinese involvement in the physical market. Coffee prices followed New York down, with the three-month robusta contract shedding £34 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.00-3.10w	-0.20
Brent Blend	$14.45-4.52y	-0.05
W.T.I.(1 pm est)	$16.01-6.09y	+0.13
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$163-166	
Gas Oil (Soviet)	$126-128	-0.5
Heavy Fuel Oil	$63-65	+1
Naphtha	$135-137	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$443¼	-4¾
Silver (per troy oz)♣	629c	-9
Platinum (per troy oz)	$499.5	+2.5
Palladium (per troy oz)	$122.0	-0.5
Aluminium (free market)	$2495	+125
Copper (US Producer)	108½-12c	-3
Lead (US Producer)	35.5c	
Nickel (free market)	590c	+10
Tin (European free market)	£3755	-5
Tin (Kuala Lumpur market)	17.41r	-0.09
Tin (New York)	321.5c	
Zinc (Euro. Prod. Price)	$920	
Zinc (US Prime Western)	48⅜c	
Cattle (live weight)†	110.64p	+0.27*
Sheep (dead weight)†	104.35p	-5.30*
Pigs (live weight)†	70.11p	-1.34*
London daily sugar (raw)	$225.2s	+9.8
London daily sugar (white)	$235.6s	+7.2
Tate and Lyle export price	£229.5	+6.0
Barley (English feed)	£106.5y	
Maize (US No. 3 yellow)	£134.0	
Wheat (US Dark Northern)	£90.75s	+0.25
Rubber (spot)♥	62.25p	+0.50
Rubber (Apr)♥	66.25p	+0.25
Rubber (May)♥	66.25p	+0.25
Rubber (KL RSS No 1 Mar)	286.5my	+0.5
Coconut oil (Philippines)§	$507.5t	-27.5
Palm Oil (Malaysian)§	$370.0x	
Copra (Philippines)§	$370.0x	
Soyabeans (US)	£153.0	-0.5
Cotton "A" index	69.75c	+0.05
Wooltops (64s Super)	570p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-May. u-Apr/Sep. x-Mar/Apr. y-Apr. t-May/Jun. s-Apr/May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	903	895	902	884
May	924	915	926	906
Jly	942	935	945	926
Sep	959	951	962	945
Dec	983	974	985	966
Mar	1008	1002	1008	993
May	1025	1024	1026	1009

Turnover: 4781 (6605) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for March 16: 1195.82 (1224.36). 10 day average for March 17: 1240.86 (1246.20).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1100	1146	1137	1100
May	1140	1174	1169	1135
Jly	1168	1196	1192	1167
Sep	1195	1210	1215	1190
Nov	1220	1242	1237	1220
Jan	1260	1267	1265	1254
Mar	1290	1290	1289	

Turnover: 5096 (1876) lots of 5 tonnes

ICO indicator prices (US cents per pound) for March 17: Comp. daily 1979 118.38 (119.08); 10 day average 118.27 (119.67).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
May	195.00	198.20	196.00	191.00
Aug	194.80	193.40	196.20	191.00
Oct	195.00	193.40	196.00	191.00
Dec	193.80	192.00	193.00	191.00
Mar	195.20	193.40	196.00	192.60
May	197.80	195.00		

White	Close	Previous	High/Low	
May	235.00	233.50	236.00	232.00
Aug	235.80	234.00	237.00	233.00
Oct	235.80	235.00	236.00	233.00
Dec	235.80	234.00	234.00	233.00
Mar	237.00	236.50	236.00	
May	237.50	238.00		
Aug	244.00	241.00		

Turnover: Raw 5728 (3010) lots of 50 tonnes; White 1012 (679).

Paris- White (FFr per tonne): May 1340, Aug 1350, Oct 1350, Dec 1360, Mar 1370, May 1375

GAS OIL $/tonne

	Close	Previous	High/Low	
Apr	126.25	128.75	127.00	124.75
May	123.75	126.00	126.25	123.50
Jun	125.75	127.00	127.25	125.00
Jul	126.00	127.25	127.50	126.00
Aug	128.00	129.00		

Turnover: 4871 (4462) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	102.25	102.90	102.00	102.25
May	104.00	105.00	104.75	104.00
Jly	106.25	107.15	106.80	106.25
Sep	100.90	100.75	100.90	
Nov	102.75	102.60	102.75	
Jan	105.00	104.85	105.00	
Mar	107.00	106.85	107.00	

Barley	Close	Previous	High/Low	
Mar	101.85	102.00	101.85	101.75
May	103.40	104.00	103.75	103.40
Sep	97.70	97.55	97.70	
Nov	100.30	100.15	100.50	
Jan	102.60	102.45	102.60	
Mar	104.60	104.45	104.60	

Turnover: Wheat 221 (97), Barley 29 (93) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 450 tonne
Cash	2480-500	2410-30	2500	2480-500		
3 months	2270-80	2240-60		2280-300	2275-85	3,456 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 18,900 tonne
Cash	1351-2	1290-2	1360/1351	1353-4		
3 months	1239-40	1204-5	1244/1225	1242.5-3.5	1238-40	43,530 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,550 tonne
Cash	1273-5	1260-2	1300/1298	1298-300		
3 months	1203-4	1191-2	1226/1200	1219-21	1208-9	87,208 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1225-35	1215-25		1248-58		
3 months	1170-80	1165-75		1190-200		27 lots
Silver (US cents/fine ounce)						Ring turnover 10,000 ozs
Cash	622-5	631-4	628	628-8.5		
3 months	633-6	642-5		639-42	635-40	689 lots
Lead (£ per tonne)						Ring turnover 5,850 tonne
Cash	332-3	343-4	353	352.5-3.5		
3 months	332.5-3	325-6	333/328	332-3	332-3	10,473 lots
Nickel ($ per tonne)						Ring turnover 1,512 tonne
Cash	13600-14000	13300-500		13500-14000		
3 months	11600-650	11100-100	11600/11245	11420-460	11500-520	8,214 lots
Zinc (£ per tonne)						Ring turnover 4,750 tonne
Cash	530-2	518-9	528	527-8		
3 months	530.5-31	520-1	531/528	527-8	530.5-31	13,875 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Apr	144.8	143.0	144.5	142.4
May	152.0	151.0	152.0	150.5
Nov	94.9	94.0	94.9	93.5
Feb	101.0	101.0		
Apr	140.0	140.0	140.0	139.0

Turnover: 380 (337) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	125.00	122.40		
Jun	121.00	119.50	119.50	
Aug	120.70	118.50	120.60	117.80
Oct	122.00	119.50	118.80	
Dec	125.20	124.00		

Turnover: 68 (20) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1712.0	1670.0	1712.0	1675.0
Jly	1579.0	1544.5	1590.0	1552.0
Oct	1599.0	1575.0	1610.0	1585.0
Jan	1594.0	1585.0	1600.0	1575.0
BFI	1610.5	1596.5		

Turnover: 774 (413)

FRUIT AND VEGETABLES

Fruit supplies remain plentiful with plums 60-90p a lb. Cape William pears 35-50p and grape varieties including Waltham Cross. *Flame and Danben Hannah all 70-80p, reports* FFVIB. French Golden Delicious apple's are 20-40p, Cox's 50-65p, and Granny Smiths 25-45p, while oranges 8-25p each, lemons 10-22p and uglis 50-70p are unchanged. Hard red and white Cabbage are 13-25p a lb, Celtic, January King and Tundra 20-30p. Asparagus are at £1.50- 2.50. Cauliflowers are at 40-60p each (45-70p). Medium sized mushrooms are 50-70p a 1/2lb (50-75p). Carrots 18-30p a lb, potatoes 11-14p whites, 13-15p reds and onions are unchanged. Canary Island tomatoes are 85p-£1 (60-90p). Dutch and English hothouse are £1-1.20 (90p- £1.10). Cucumbers are 55-70p each, celery 40- 60p and round lettuce 29-39p.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	443-443½	241-241½
Opening	446¾-447¼	240¾-241¼
Morning fix	445.35	241.421
Afternoon fix	445.50	241.465
Day's high	446¾-447¼	
Day's low	442½-443¼	
Coins	**$ price**	**£ equivalent**
US Eagle	455-460	247¼-250¼
Maple leaf	455-460	247½-250½
Britannia	455-460	247¼-250¼
Krugerrand	442½-455½	240½-242½
1/2 Krug	232-241	126¼-131¼
1/4 Krug	115-123	62½-67
Angel	457-462	248¼-251¼
1/10 Angel	45½-50½	24¾-27½
New Sov.	104-106	56½-57¼
Old Sov.	104-105½	56½-57½
Noble Plat	518¼-524¼	279¼-282½

Silver fix	p/fine oz	US cts equiv
Spot	342.15	630.90
3 months	349.80	642.00
6 months	357.65	653.80
12 months	372.80	676.30

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
2150	268	179	36	128
2250	198	132	67	180
2350	141	96	109	242
Aluminium (99.5%)	**Calls**		**Puts**	
2150	248	181	43	166
2250	181	138	75	212
2350	127	103	120	275
Copper (Grade A)	**Calls**		**Puts**	
2100	231	221	77	155
2200	173	175	110	207
2300	125	137	170	267

US MARKETS

Precious metals eased on release of the U.S. trade deficit figure, reports Drexel Burnham Lambert. Losses were further *extended as reports concerning South* Africa and Central America emerged as long-liquidation and trade selling touched off stops before prices lifted on profit-taking towards the close. Copper fluctuated within the recent trading range as the market awaited fresh news. Energy futures featured early trade buying followed by fund and local selling which touched-off stops to ease prices in the face of commission house scale-down buying. Cocoa was lacklustre, coffee eased on fund and speculative selling with the trade a scale-down buyer, while sugar rallied on fund buying which touched off commission house stops in the face of trade scale-up selling. Orange juice also rallied on fund buying. Cattle futures eased reflecting poor dressed *beef movement and lack of packer* interest, hogs and bellies were both higher in anticipation of improved cash prices. Commercial buying firmed the wheat market as it anticipated possible Chinese buying, tha soybean complex and corn rallied on fund buying and short-covering.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	444.0	445.5	446.0	446.0
Apr	444.9	446.5	447.5	442.1
Jun	449.1	450.9	451.9	446.2
Aug	453.2	455.3	456.0	451.0
Oct	458.0	460.1	459.5	457.0
Dec	462.8	465.0	465.8	460.8
Feb	467.8	470.1	0	0
Apr	473.1	475.5	471.5	471.5
Jun	478.4	480.9	481.0	481.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	497.1	500.1	491.0	491.0
Apr	496.6	498.8	503.0	492.5
Jul	505.1	508.9	507.5	497.5
Oct	508.1	509.0	511.0	503.0
Jan	513.5	514.7	016.0	508.5
Apr	519.2	520.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	630.5	632.7	635.0	629.0
Apr	632.7	635.0	0	0
May	636.0	638.5	641.0	630.0
Jul	643.9	646.6	649.0	639.0
Sep	651.4	654.3	658.0	650.0
Dec	663.9	668.9	669.0	658.0
Jan	667.7	670.7	0	0
Mar	676.8	679.7	674.0	674.0
May	685.4	688.8	0	0
Jul	694.8	698.1	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	103.30	103.50	104.00	101.10
Apr	101.25	101.45	0	0
May	95.35	97.55	96.90	94.20
Jul	92.70	93.25	94.50	90.60
Sep	89.70	89.75	90.90	89.00
Dec	86.40	86.25	87.10	85.50
Jan	85.40	85.25	0	0
Mar	84.15	83.50	0	0
May	82.80	83.50	83.00	83.00
Jul	82.40	82.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	16.01	16.00	16.19	15.89
May	15.77	15.86	16.03	15.66
Jun	15.56	15.81	15.94	15.57
Jul	15.64	15.77	15.87	15.52
Aug	15.53	15.73	15.77	15.45
Oct	15.50	15.70	15.70	15.41
Nov	15.59	15.69	15.69	15.57
Dec	15.47	15.66	15.70	15.40
Jan	15.50	15.67	15.75	15.45

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	43.85	44.03	44.35	43.55
May	42.20	42.82	42.85	41.90
Jul	41.80	41.69	42.10	41.00
Aug	42.00	42.19	42.50	42.00
Sep	42.85	42.89	43.25	42.65
Nov	44.40	44.24	44.40	44.40
Dec	45.10	44.94	45.55	45.10
Jan	45.80	45.34	45.00	45.80

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
May	1552	1549	1563	1537
Jul	1582	1578	1587	1566
Sep	1609	1605	1613	1598
Dec	1650	1645	1652	1635
Mar	1682	1679	1685	1670
May	1702	1699	1710	1700
Jul	1732	1729	1728	1728

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	130.70	133.10	133.00	130.80
May	132.36	134.32	134.45	132.05
Jul	134.57	136.61	136.65	134.27
Sep	136.54	138.74	138.40	136.25
Dec	138.75	141.13	141.00	138.75
Mar	139.50	142.38	141.00	141.00
May	140.00	142.38	0	0
Jul	141.65	143.50	142.00	141.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.81	8.83	8.84	8.52
Jul	8.71	8.58	8.76	8.50
Oct	8.68	8.59	8.77	8.49
Jan	8.69	8.55	0	0
Mar	8.69	8.60	8.76	8.55
May	8.74	8.74	8.74	8.74
Jul	8.70	8.65	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	63.47	63.95	64.15	0
Jul	62.85	63.27	63.45	62.80
Oct	58.60	58.60	59.00	58.30
Dec	57.70	57.20	57.84	57.11
Mar	58.20	57.93	58.20	58.00
May	58.80	58.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	168.00	164.90	168.00	164.90
May	162.40	159.95	162.50	160.00
Jul	158.25	156.40	159.00	156.50
Sep	153.75	152.00	154.00	152.00
Nov	151.25	150.25	151.50	150.50
Jan	149.00	147.50	148.50	147.50
Mar	149.50	148.00	0	0
May	148.85	148.00	0	0
Jul	148.95	148.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 16	Mar 15	mnth ago	yr ago
1718.9	1721.3	1775.0	1601.8

DOW JONES (Base: December 31 1974 = 100)

Spot	129.35	129.63	130.25	113.74
Futures	132.93	132.30	135.08	113.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	620/0	611/4	626/0	611/2
May	633/6	619/2	634/0	619/0
Jul	642/4	627/2	643/0	627/2
Aug	646/0	630/4	646/0	630/0
Sep	646/0	631/6	648/0	634/4
Nov	656/6	641/2	657/4	640/4
Jan	664/4	650/0	664/4	648/4
Mar	672/4	658/0	672/4	665/0
May	676/0	661/4	676/0	670/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.24	19.77	20.30	19.88
May	20.54	20.07	20.65	19.93
Jul	20.89	20.43	20.95	20.32
Aug	21.03	20.57	21.10	20.45
Sep	21.10	20.70	21.25	20.62
Oct	21.27	20.80	21.40	20.82
Dec	21.55	21.08	21.60	21.00
Jan	21.55	21.08	21.00	21.45
Mar	21.80	21.13	21.55	21.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	187.9	185.2	188.0	185.0
May	186.0	184.0	187.3	184.0
Jul	187.3	184.2	187.7	184.0
Aug	186.3	185.5	188.5	185.1
Sep	188.5	186.0	189.0	186.0
Oct	189.5	186.0	190.0	187.0
Dec	192.7	190.8	193.5	190.2
Jan	195.5	191.2	195.5	192.0
Mar	197.5	193.5	197.5	194.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	199/0	197/4	200/0	197/4
May	206/6	204/2	207/0	203/6
Jul	210/6	209/0	212/0	208/6
Sep	213/2	212/0	214/6	213/0
Dec	218/4	216/6	219/6	216/0
Mar	225/4	223/6	226/4	223/4
May	229/4	227/4	230/0	229/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	297/4	292/4	298/6	295/4
May	304/6	300/6	307/2	300/2
Jul	309/6	305/6	311/4	305/4
Sep	315/6	312/0	316/0	311/6
Dec	327/0	323/4	329/0	323/0
Mar	332/0	328/0	332/0	331/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	73.65	73.97	74.07	73.40
Jun	70.70	70.85	71.05	70.47
Aug	67.50	67.62	67.80	67.45
Oct	66.40	66.42	66.60	66.25
Dec	67.35	67.37	67.60	67.30
Feb	67.20	67.00	67.40	67.20
Apr	67.20	0	67.20	67.20

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	45.80	44.77	45.95	44.57
Jun	49.72	49.00	49.85	48.95
Jul	48.57	48.45	49.30	48.35
Aug	46.57	46.22	46.92	46.22
Oct	42.70	42.65	42.85	42.40
Dec	43.20	42.90	43.30	42.97
Feb	43.30	42.90	43.30	43.00
Apr	41.30	40.80	41.30	40.90

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	64.15	62.50	64.40	62.35
May	55.35	53.50	55.40	53.30
Jul	55.95	54.27	56.20	54.30
Aug	54.95	53.27	55.00	53.22

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound firm despite rate cut

Sterling's push through the DM3.10 level was countered yesterday by a cut in UK base rates to 8½ p.c. The move through DM3.10 had started in the Far East, and traders noted that the Bank of England had made no attempt to control the rise by selling sterling. Consequently the firmer trend continued in early London trading.

After closing at DM3.1050 in Tokyo the pound opened at the same level in London and touched DM3.1075. However, the Bank's signal on rates saw the pound fall quite quickly to just under DM3.0900, although by mid-morning it had recovered to DM3.0925. Some dealers suggested that a half point cut was not enough to offset continued upward pressure on the pound. This gained credence after news of a $12.44bn US trade deficit in January, - at the lower end of expectations - sent the dollar sharply firmer, pulling up sterling in its wake.

Once again the pound broke through DM3.10, and traders stressed that the cut in rates still left an interest differential of around 5½ p.c. between Euro-sterling and Euro-marks. "This is still big enough to attract further demand for the pound," one dealer stressed.

With interest rates now moving in reaction to sterling's performance, rather than domestic economic conditions, the bottom line spelt much greater volatility in the coming months, another analyst suggested.

Much will depend on the attitude taken by overseas investors. Many still view sterling as a high yield/high risk currency, and as such are content to look for just a short term gain. The attitude of Japanese investors remains an unknown factor, since investment decisions are currently restrained by proximity of the Japanese financial year end on March 31.

The pound's exchange rate index finished at 77.4, unchanged from Wednesday's close. However it touched a high of 77.8 in the morning, before the cut in base rates. Against the D-Mark it finished at DM3.0975, up from DM3.0900 but a full pfennig off the day's high. It fell to $1.8325 from $1.8475 but improved elsewhere to Y235.75 from Y235.50 and SFr2.5675 from SFr2.5575. Against the French franc it rose to FFr10.5200 from FFr10.5025.

Analysis of the US data showed that, while imports fell by 6 p.c., exports were down 10 p.c. In addition, the deficit showed a small deterioration from December's $12.2bn shortfall. Once again however, the speculative build up in the two weeks preceding the figures proved to be more exciting than the actual release. The fall back in exports was expected, since the rate of improvement over the past few months was unsustainable, according to Mr Rupert Thompson, international economist at Morgan Grenfell. He agreed that, with the overall deficit much as expected, the market had been left drifting without a rudder.

Nevertheless the figure was better than some had expected and short term reaction pushed the dollar up to DM1.6905, from DM1.6725 and Y128.60 against Y127.40. Elsewhere it improved to SFr1.4010 from SFr1.3845 and FFr5.7400 against FFr5.6850. On Bank of England figures, the dollar's exchange rate index rose from 93.5 to 94.0.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.35. February average 129.17. Exchange rate index 238.6 against 221.9 six months ago. Uncertainty about developments in Central America and proximity of US trade figures, kept most traders on the sidelines in Tokyo. The dollar closed at Y127.45 from Y127.50 in New York.

Figures released after the close of business showed Japanese GNP rising by 1.7 p.c. in the fourth quarter of 1987 over the third quarter. This gave an annual rise in 1987 of 4.2 p.c., compared with 2.4 p.c. in 1986.

FINANCIAL FUTURES

Inflation fears on rate move

REACTION TO the surprising cut in UK bank base rates was not favourable on Liffe. According to Mr Stephen Hannah, economist at County NatWest, it probably heralds a period of high volatility in British interest rates.

Long term gilt futures opened very firm on Liffe, but traders did not regard the interest rate cut as comforting, from the view of inflationary pressure. This led to a bout of selling.

Mr Mark Cliffe, economist at Nomura Research Institute, said that reasons for overseas investors to buy sterling are still in place, and that if the Bank of England does not intervene to keep the pound below DM3.10 another cut in base rates is possible.

Mr Hannah also does not rule out a further reduction in base rates, but believes this is a short term problem, and that base rates will average 9¼ p.c. in the second half of the year. He regards the UK inflation rate as too high, compared with West Germany, and believes London rates will rise, to choke off domestic demand, and that sterling will weaken.

Trading was described as choppy on Liffe, and in the end inconclusive. Lower interest rates increased fears about inflation, and encouraged profit taking in gilt futures, but dealers continued to see the performance of the pound as the key

One dealer commented that it had at least cleared some of the confusion about economic policy, and appeared to put Mr Nigel Lawson, the Chancellor back in the driving seat.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
104	—	44	—	638
106	—	—	—	—
108	—	—	—	—
110	1211	—	1	—
112	1013	—	3	—
114	817	—	7	—
116	628	—	18	—

Estimated volume total, Calls 3416 Puts 2341
Previous day's open int. Calls 30567 Puts 21348

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
86	643	626	23	108
88	462	503	43	147
90	324	353	106	235
92	202	253	148	335
94	106	202	252	448
96	36	127	418	609
98	18	61	600	743

Estimated volume total, Calls 305 Puts 265
Previous day's open int. Calls 1177 Puts 1114

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
17000	1215	1504	5	94
17500	745	1104	35	194
18000	363	766	153	356
18500	129	500	419	590
19000	31	306	821	896
19500	5	175	1295	1265
20000	1	93	1791	1683

Estimated volume total, Calls 10 Puts 5
Previous day's open int. Calls 58 Puts 114

EMS EUROPEAN CURRENCY UNIT RATES

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

LIFFE-£/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

CURRENCY FUTURES

MONEY MARKETS

Base rates reduced

THE BANK of England took financial markets by surprise, when signalling to UK commercial banks that interest rates were to be cut yesterday.

When forecasting the day-to-day credit shortage in the money market in the morning, the central bank invited discount houses to borrow funds in the afternoon, at a rate of 8½ p.c.

London clearing banks then cut their base lending rates by ½ p.c. to 8½ p.c.

The move by the authorities caused considerable confusion, after recent coments on interest rate policy and inflation by the Prime Minister, and the Chancellor, but was seen as setting a ceiling of DM3.10 for the pound at present.

UK clearing bank base lending rate 8½ per cent from March 17

Sterling traded above DM3.10 in the Far East and in early London trading, and hovered around that level after the cut, prompting suggestions that another reduction in base rates is not out of the question.

The Bank of England initially forecast a money market shortage of £300m, but revised this to £450m at noon, and to £400m in the afternoon. Total help of £391m was provided.

Before lunch the authorities bought £21m bills outright, by way of £18m bank bills in band 1 at 8½ p.c.; £2m bank bills in band 2 at 8½ p.c.; and £1m bank bills in band 4 at 8½ p.c.

In the afternoon the Bank of England lent £370m to the discount houses at a rate of 8½ p.c.

In New York there was also surprise, when the Federal Reserve drained reserves from the banking system, via four-day matched sale and repurchase agreements. Federal funds were soft at 6$\frac{7}{16}$ p.c., at the time of the intervention, but the market expected the Fed to tolerate easier interest rates, in an attempt to calm nerves, after the $1bn rescue package announced for First Republicbank Corp of Dallas.

In Frankfurt call money rose to 3.35 p.c. from 3.30 p.c., as tax payments drained liquidity from the banking system. In early trading call money touched 3.40 p.c., but an injection of funds from the Bundesbank, via state owned banks, eased the pressure.

Underlying liquidity was regarded as ample, with banks holding reserves of DM60.1bn at the Bundesbank on Tuesday, against an expected monthly average requirement of DM54bn to DM55bn.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

Company Notices

NATIONAL BANK OF HUNGARY
US$ 200,000,000.-
Floating Rate Notes due 2000
(Coupon No. 6)

Pursuant to Note conditions, Notice is hereby given that for the interest period from 17th March, 1988 to 19th September, 1988 an interest rate of 7¼% per annum will apply.
Amount per coupon = US$ 374.58
Payable on 19th September, 1988

Reference Agent:
The Long-Term Credit Bank of Japan Ltd., London Branch
Dated 17th March 1988

HESSISCHE LANDESBANK - GIROZENTRALE
US$ 100,000,000
Floating Rate Notes due 1996
(Coupon No. 4)

Pursuant to Note conditions, Notice is hereby given that for the interest period from 16th March, 1988 to 16th September, 1988 an interest rate of 6$\frac{15}{16}$% per annum will apply.
Amount per coupon = US$ 1,772.92
Payable on 16th September, 1988.

Reference Agent:
The Long-Term Credit Bank of Japan Ltd
London Branch
Dated 16th March 1988

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT.,LONDON

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.24042 SDR1=$US1.37482
As of March 16 at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6$\frac{13}{16}$	7
Sibor:	6$\frac{13}{16}$	7

For further information please contact your local branch of the Bank of America

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$480	–	–	–	–	43	20	$445.70
GOLD P	$400	–	–	10	4	25	7.50	$445.70
GOLD P	$420	48	3.60	–	–	2	10.50	$445.70
		Mch. 88		Apr. 88		May 88		
EOE Index C	Fl. 170	2	36	40	36.70	–	–	Fl. 206.06
EOE Index C	Fl. 175	–	–	40	31	–	–	Fl. 206.06
EOE Index C	Fl. 185	74	21	18	21	3	20	Fl. 206.06
EOE Index C	Fl. 190	53	17 A	10	17	12	18	Fl. 206.06
EOE Index C	Fl. 200	27	6	34	10.20	290	11.50	Fl. 206.06
EOE Index C	Fl. 205	509	2.20	157	7.10	19	9	Fl. 206.06
EOE Index C	Fl. 210	–	–	118	5.20	184	7	Fl. 206.06
EOE Index P	Fl. 175	–	–	140	0.70	–	–	Fl. 206.06
EOE Index P	Fl. 185	–	–	167	1.50	15	3.50	Fl. 206.06
EOE Index P	Fl. 190	5	0.10	89	2.50	119	5.50	Fl. 206.06
EOE Index P	Fl. 195	265	0.10	217	3.50	6	7	Fl. 206.06
EOE Index P	Fl. 200	810	0.20	370	5	17	9	Fl. 206.06
EOE Index P	Fl. 205	394	0.90	62	7.20	2	12.50 A	Fl. 206.06
EOE Index P	Fl. 210	–	–	116	10	–	–	Fl. 206.06
£/Fl C	Fl. 345	40	3	–	–	10	3.50	Fl. 348.13
$/Fl C	Fl. 180	428	8.80	–	–	125	8.80 B	Fl. 188.95
$/Fl C	Fl. 185	136	3.70	37	4.50	22	5 B	Fl. 188.95
$/Fl C	Fl. 190	839	0.05	596	1.80 B	10	2.80	Fl. 188.95
$/Fl P	Fl. 185	257	0.05 A	141	1.30	17	2.50 A	Fl. 188.95
$/Fl P	Fl. 190	917	1.50 A	61	3.50 A	–	–	Fl. 188.95
$/Fl P	Fl. 200	41	11.50	–	–	–	–	Fl. 188.95
$/Fl P	Fl. 210	50	21.50 A	–	–	–	–	Fl. 188.95
		Apr. 88		Jul. 88		Oct. 88		
ABN C	Fl. 40	784	2.40	205	3	53	3.60	Fl. 41.80
ABN P	Fl. 35	100	0.20	–	–	1	1.70	Fl. 41.80
AEGON C	Fl. 75	29	1.70 A	22	2.90	11	4.60	Fl. 73.10
AHOLD C	Fl. 75	322	2	31	4	–	–	Fl. 73.20
AHOLD P	Fl. 70	53	1.50	5	3.70	–	–	Fl. 73.20
AKZO C	Fl. 110	940	2.10	235	4.50 O	24	7.90	Fl. 105.60
AKZO P	Fl. 80	–	–	194	1.50	–	–	Fl. 105.60
AMEV C	Fl. 55	104	2.20	125	3.80	63	4.50	Fl. 54.20
AMEV P	Fl. 55	65	2.50	5	5.30	–	–	Fl. 54.20
AMRO C	Fl. 70	271	1.40	109	2.40	208	3.30	Fl. 68.40
AMRO P	Fl. 75	–	–	50	9.50	–	–	Fl. 68.40
BUHRMANN-T C	Fl. 55	5	0.30	50	0.80 A	–	–	Fl. 45.30
BUHRMANN-T P	Fl. 45	55	1.70	14	3.80	–	–	Fl. 45.30
ELSEVIER C	Fl. 50	215	2.60	27	3.90	61	5.90	Fl. 50.80
ELSEVIER P	Fl. 55	63	4.50	3	6.80	–	–	Fl. 50.80
GIST-BROC. C	Fl. 35	276	1.20	96	2.70	12	3.80	Fl. 33.50
GIST-BROC. P	Fl. 30	9	0.50	20	1.80	23	3.30 A	Fl. 33.50
HEINEKEN C	Fl. 140	63	1.30	63	5	–	–	Fl. 130.50
HEINEKEN P	Fl. 130	25	4 O	6	9	2	11.50	Fl. 130.50
HOOGOVENS C	Fl. 35	392	1.10	97	3.50	–	–	Fl. 34.50
KLM C	Fl. 35	392	1.10	243	2.80	204	3.10	Fl. 34.20
KLM P	Fl. 35	31	1.80	25	3.10	41	4.20	Fl. 34.20
KNP C	Fl. 130	80	9.20	18	10.60	–	–	Fl. 138.50
KNP P	Fl. 130	24	3.80 A	–	–	1	11 A	Fl. 138.50
NEDLLOYD C	Fl. 200	69	5.50	7	14	15	19.20	Fl. 196
NAT.NED. C	Fl. 60	553	2.10	250	3.70	13	4.20	Fl. 60.30
NAT.NED. P	Fl. 65	–	–	–	–	100	9.20	Fl. 60.30
PHILIPS C	Fl. 30	1371	1.10	913	1.80	147	2.50	Fl. 30.40
PHILIPS P	Fl. 30	152	2	30	3	187	3.50	Fl. 30.40
ROYAL DUTCH C	Fl. 220	1008	7	285	8.70	67	9.70	Fl. 224.20
ROYAL DUTCH P	Fl. 220	944	3.20 A	69	11	94	15.50	Fl. 224.20
UNILEVER C	Fl. 120	108	1.70	153	4.30	7	6.50	Fl. 115.60
UNILEVER P	Fl. 100	84	0.80	2	2.60	–	–	Fl. 115.60

TOTAL VOLUME IN CONTRACTS : 39,265

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

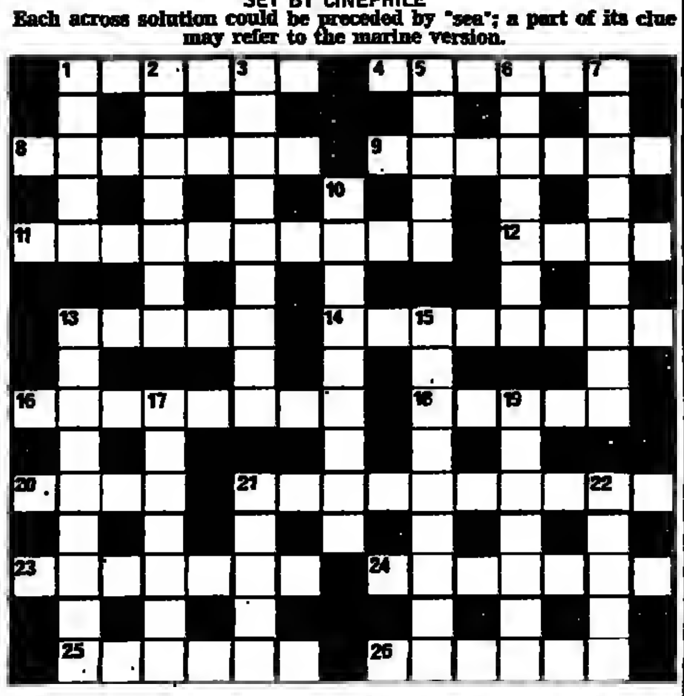
	%		%		%
ABN Bank	8½	Citibank NA	8½	Nat. Bk. of Kuwait	8½
Adam & Company	9	City Merchants Bank	9	NatWestminster	8½
AAB - Allied Arab Bk	9	Clydesdale Bank	8½	Northern Bank Ltd	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Norwich Gen. Trust	8½
American Exp. Bk	9	Consolidated Cred	9	PK Finans. Intl(UK)	9
Henry Ansbacher	9	Co-operative Bank	*8½	Provincial Bank PLC	10
ANZ Banking Group	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
Associates Cap Corp	10	Dunbar Bank PLC	8½	Roxburghe G'rantee	10
Authority Bank	9	Duncan Lawrie	8½	Royal Bk of Scotland	8½
B & C Merchant Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
Banco de Bilbao	9	Exeter Trust Ltd	9	Smith & Williams Secs.	9
Bank Hapoalim	9	Financial & Gen. Sec.	9	Standard Chartered	8½
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Credit & Comm	9	● Robert Fleming & Co.	8½	UDT Mortgage Exp	§10.2
Bank of Cyprus	9	Robert Fraser & Ptnrs.	10	United Bk of Kuwait	8½
Bank of Ireland	9	Girobank	8½	United Mizrahi Bank	9
Bank of India	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of Scotland	8½	● Guinness Mahon	8½	Western Trust	8½
Banque Belge Ltd	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Barclays Bank	8½	● Hambros Bank	9	Whiteaway Laidlaw	9
Benchmark Bank PLC	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	8½
Berliner Bank AG	8½	● Hill Samuel	§9		
Brit Bk of Mid East	8½	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	8½		
Business Mtge Tst	9	Lloyds Bank	9		
CL Bank Nederland	8½	Meghraj Bank Ltd	8½		
Central Capital	9	Midland Bank	8½		
● Charterhouse Bank	8½	● Morgan Grenfell	8½		
		Mount Credit Corp.	9		

● Members of the Accepting Houses' Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. § Mortgage base rate. ‡ Demand deposit 4.00%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,584

SET BY CINEPHILE

Each across solution could be preceded by "sea"; a part of its clue may refer to the marine version.



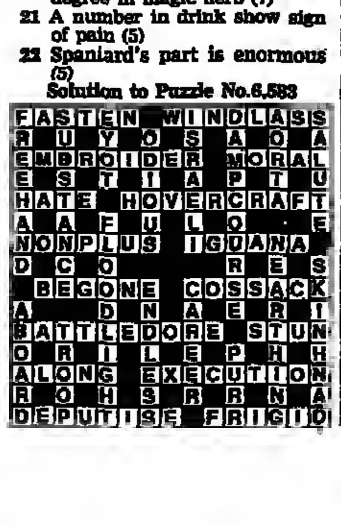
ACROSS

1 Transformation needs little money (6)
4 Jet developed from tadpole (6)
8 Church gold in solution: they keep one in place (7)
9 Bloodsucker has to beat its victim (7)
11 Chaperon related to Venus's girdle (10)
12 Consequential breezes (4)
13 Slow-moving fish on poles aren't well (5)
14 Veughan Williams' first Seychelles number's false (8)
16 Stinging fish has page 10 in contempt (6)
18 Oceanid reaches New York at speed (5)
20 Royal part of Pygmalion (4)
21 Row back to your ship, which has what it needs to sail (10)
23 Flower, maybe mean one (7)
24 Spiny brats (7)
25 Climbing aid for marine mammal and snake (6)
26 Barman from Warley? (6)

DOWN

1 Against leave in Africa (5)
2 Morbid silence, continent after a short phase (7)
3 Girl princess swallowing a bone and a biscuit (9)
5 Unsteady monarch in wharf (5)
6 Charge: I am going to be an informer (7)
7 Crisis point for church 10? (3,6)
10 They have been taken for part of prince (son of queen) (9)
13 Partial disturbance of coastline (9)
15 Imperial region with most of church in madness (9)
17 Having new title, beast eats person up (7)
19 Periodical of unspecified degree in magic herb (7)
21 A number in drink show sign of pain (5)
22 Spaniard's part is enormous (5)

Solution to Puzzle No.6,583



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
6 Crosby Sq, London EC3A 6AQ 01-588 6995/4/5

Scimitar Global Gth Ac.	29.3	31.2	+0.3	—
Do. Income	29.1	31.0	+0.3	0.19
Scimitar European Acc.	21.2	22.6	+0.1	—
Do. Income	21.2	22.6	+0.1	0.11
Scimitar Gilt Eq Inc Acc.	36.4	36.4	-0.2	—
Do. Income	37.2	39.4xd	-0.2	5.36
UK Cap Gth Acc.	25.2	26.6	.....	0.75
Scimitar Pac Basin Acc.	29.7	31.7	+0.2	—
Scimitar Mngd Exempt	141.6	147.3xd	-0.4	—

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intal Income Units	129.2	137.4	—	3.38
Intal Accum Units	197.5	210.1	—	3.38
UK General Acc.	38.4	41.1	-0.3	3.38
UK General Inc.	36.9	39.3	+0.1	3.38
American	27.0	29.7	+0.4	2.13
European	34.8	37.2	+0.4	1.26
Japan	37.6	40.6	+0.4	0.03
Technology	35.2	37.7xd	-0.3	2.29
Performance Trusts				
Far East Perf Tst	18.5	19.9	-0.3	2.80
High Inc Perf Tst Inc.	24.3	26.0	—	3.36
High Inc Perf Tst Acc.	24.8	26.5	-0.1	5.36
Worldwide Tect Perf Tst.	28.8	30.8	+0.1	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	212.8	227.6	-1.1	2.60
Columbus (US)	129.6	138.7	-0.4	1.31
Marco Polo (Pac)	213.7	228.6	+2.4	0.22
Da Vinci (Eur)	222.3	237.8	+0.8	1.66
Drake (Wwd)	53.0	56.7	-0.1	2.82

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4385

TUUT Mar 1	212.5	223.7xd	.....	3.22

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764408

Triton General	147.3	156.4	-0.1	1.55

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & General	59.8	63.4	+0.5	4.07
Accum Units	61.5	65.3	+0.5	—
Income	81.3	86.2	+0.3	4.34
Accum Units	81.3	86.2	+0.3	—
Smaller Co's	84.4	89.5xd	+0.3	1.81
Accum Units	85.3	90.5	+0.4	—
UK Growth	86.3	91.5xd	+0.1	2.21
Accum Units	87.4	92.7	-0.3	—
Pacific Gold Tst Acc.	47.6	50.5	—	—

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	59.5	63.3	-0.4	1.69
Technical Analysis Fd	50.7	54.0	+0.4	3.36

Unit Trust Account & Mngt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 4094
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	179.6	191.2	.....	1.59
Friars Hse Inc Fd	154.0	162.1	.....	5.35

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC 01-534 5544

United Charities	171.2	182.7	-0.3	4.59

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

INSURANCES

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Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds

Wealth Assur.	380.7	400.9	----	–
Eb'r Ph. Eq.	316.0	337.6	----	–

Pension Plan Funds

Phoenix

UK Equity Acc.	167.2	175.9	-0.7	–
International Acc.	127.6	134.3	+0.8	–
Property Acc.	125.6	132.2	----	–
Fixed Interest Acc.	155.7	163.8	+0.4	–
Money Acc.	137.2	144.4	+0.1	–
Bldg. Soc. Link Acc.	134.4	141.4	+0.2	–
Special Mngd. Acc. 0	147.8	155.5	----	–

Phoenix/Framlington

Intnl. Growth Acc.	88.7	93.3	+0.3	–
Amer. & Gen. Acc.	81.4	85.6	-0.4	–
Capital Tst. Acc.	176.1	185.3	-0.2	–
Japan & Gen Acc.	180.2	189.6	+0.8	–
American Turn. Acc.	83.5	87.9	-0.4	–
Recovery Tst. Acc.	172.4	181.4	-1.0	–
Special Mngd Acc.	143.6	151.1	-0.4	–

Phoenix/GT

International Acc.	120.3	126.6	-0.1	–
US & General Acc.	88.8	93.4	-0.5	–
Amer Spec Sits Acc.	64.6	67.9	----	–
Japan & General Acc.	173.5	182.4	+1.1	–
Far East & Gen. Acc.	136.1	143.2	+1.4	–
UK Capital Acc.	173.5	182.6	-1.0	–
European Acc.	132.9	139.8	+0.5	–
Special Mngd. Acc.	125.2	131.7	-0.2	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	268.6	282.8	----	–
Man Pens Inc & Cap Fds.	344.5	362.8	----	–
Money Fund	111.6	117.3	----	–
Pens. Mngd Fd (Init)	85.9	90.5	----	–
Pens Mngd Fd (Acc)	96.0	101.9	----	–
Pens FT30 Fd (Init)	130.5	137.4	----	–
Pens FT30 Fd (Acc)	147.1	154.9	----	–
Pens O'seas MgFd(Init)	55.7	58.7	----	–
Pens O'seas MgFd(Acc)	62.8	66.2	----	–
Pens Fxd Int Fd (Init)	105.9	111.5	----	–
Pens Fxd Int Fd (Acc)	119.4	125.7	----	–
Pens Deposit Fd (Init)	101.0	106.4	----	–
Pens Deposit Fd (Acc)	113.7	119.7	----	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund

Managed Mar 16	198.3	206.6	+0.4	–

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	439.2	462.4	-0.3	–
Equity Fd.	896.5	943.7	-3.1	–
Intnl. Fd.	304.5	320.6	+1.5	–
Fixed Int. Fd.	344.7	363.1	-0.1	–
Prop. Fd	314.5	331.1	-0.7	–
Cash Fd.	235.0	247.4	+0.1	–
Pacific Basin Fd.	168.4	177.3	+1.1	–
North American Fd.	125.7	132.4	+0.7	–
European Fd.	130.2	137.1	-0.7	–
Holborn Balanced Gwth Fd.	100.3	105.6	----	–
Holborn Strategic Gwth Fd.	99.2	104.5	----	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	468.2	492.9	+0.8	–
Equity	670.5	705.8	-2.9	–
Global Equity	193.7	203.9	+0.8	–
Fixed Interest	375.9	395.7	-0.2	–
Property	307.7	323.9	----	–
Cash	138.5	145.8	----	–
Index Linked Gilt	163.7	172.4	----	–
Guaranteed	0.68	–	----	–
International Money	182.7	192.4	----	–
North American Fd	55.9	58.9	+0.4	–
Japanese Fund	121.3	127.7	+0.6	–
European Fund	68.5	72.2	----	–
Special Situations Fd.	94.6	99.6	+0.2	–
Communications Fund	80.4	84.7	+0.2	–
Smaller Cos Fund	100.6	105.9	+0.2	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Mar 16	£124.80	128.37	+0.45	–
Equity Fund Mar 16	£135.63	139.71	+1.49	–
Intnl Fund Mar 16	£20.02	20.68	+0.36	–
Intl Bond Fd Mar 16	£10.60	10.75	-0.03	–
Fixed Int. Mar 16	£68.57	69.47	+1.04	–

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OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

Dantrust Management (Guernsey) Ltd
PO Box 93, St Peter Port, Guernsey 0481 713808

Dantrust Limited	[illegible]	103.21	+2.01	–

Dean Witter World Wide Investment Trust SA
14 Rue Aldringen, Luxembourg

NAV Mar 17		$20.93		–

Delta Group
PO Box 3012, Nassau, Bahamas

Delta Inv Mar 8	$4.90	5.15	–	–
Delta Stlg Mar 8	£3.4084	3.5743	–	–

Agents: Kleinwort Benson (Guernsey) Fd Mngrs 0481 27111

Deutscher Investment-Trust
Mainzer Landstrasse 11-13 6000 Frankfurt

Concentra	DM28.67	29.94		–
Int. Rentenfonds	DM83.54	85.61		–

Drexel Burnham Lambert
77 London Wall London EC2 01-920 9719

Finsbury Group Limited NAV Mar 11 $153.89
Winchester Capital Limited NAV Mar 11 $101.26
Winchester Diversified Limited NAV Feb 29 $16.95
Winchester Financial Limited NAV Feb 29 $22.79
Winchester Frontier Limited NAV Feb 29 $137.06
Winchester Hldgs-Eur Bond Series £cu 1252.37
Winchester Recovery Limited NAV Feb 29 $93.68
Winchester Reserves Limited Current Yield 6.28%
Worldwide Special Fund BV NAV Mar 11 $459.20
Worldwide Securities Limited NAV Mar 11 $27.26

Dreyfus Intercontinental Inv. Fd.
PO Box N3712, Nassau, Bahamas

NAV Mar 15	$51.81	55.12		–

Dunwell Asset Management (Guernsey) Ltd
PO Box 244, St Peter Port, Guernsey 0481 712771

Managed Currency Fd		0.9910	-0.0008	–

Duncan Lawrie Inv. Mgt. Ltd
Victory Hse, St Peter Port, Guernsey 0481 28034

DL Sterling	112.9	118.6		5.8
DL International	$1.60	1.67		5.4

Dunedin Unit Trust Mgrs (Bermuda) Ltd
Bank of Bermuda, Hamilton 010 809 295 4000

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FT UNIT TRUST INFORMATION SERVICE

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102¼	[illegible]	Exch 10¼pc '88	100¼	+⅛	[illegible]	8.54
101	[illegible]	Treas 9¾pc Cv '88	100	.....	[illegible]	8.68
[illegible]	93	Transport 3pc '78-88	98	+⅛	[illegible]	6.74
101	[illegible]	Treas. 9½pc '88	100	+⅛	[illegible]	8.83
[illegible]	101	Treas 11½pc 1989	102	+⅛	[illegible]	8.82
102	97	Treas 9½pc Cnv 1989	100	+⅛	[illegible]	8.81
[illegible]	89	Treas 3pc 1989	96		[illegible]	6.64
104	99	Treas 10½pc 1989	101	+⅛	[illegible]	8.94
103	98	Exch 10pc 1989	101	+⅛	[illegible]	8.91
[illegible]	[illegible]	Exch 11pc 1989	102	+⅛	[illegible]	8.89
[illegible]	89	Treas 5pc 1986-89	96	+⅛	[illegible]	7.27
108	[illegible]	Exch 10¼pc Cv '89	104		[illegible]	7.42
111	104	Treas 13pc 1990	106	+⅛	12.[illegible]	8.90
106½	100	Exch 11pc 1990	103	+⅛	10.62	8.92
110	103	Exch 12½pc 1990	106	+⅛	11.75	8.96
92	84½	Treas 3pc 1990	92	.....	3.26	7.09
100	93	Treas 8¼pc 1987-90	98	+⅛	0.34	8.80
102¼	98	Treas 8pc Cv 1990	101	.....	7.91	7.44
105	97½	Treas 10pc Cv 1990	102	+⅛	9.79	9.02
91	81	Exch 2½pc 1990	89	+⅛	2.80	6.99
110½	102	Treas 11¾pc 1991	106	+⅛	11.01	8.99
95¼	87¼	Funding 5¾pc '87-91	93	+⅛	6.15	8.18
90	80¼	Treas 3pc 1991	88	+⅛	3.40	7.23
110¼	98	Treas 10pc Cv '91	104	–⅛	9.58	8.47
109	101	Exch 11pc 1991	105	+⅛	10.[illegible]	9.05
99	91	Treas 8pc 1991	96	+⅛	[illegible]	8.97
116	107	Treas 12¾pc 1992	111	+⅛	11.4[illegible]	9.05
[illegible]	97	Treas 10pc 1992	103	+⅛	[illegible]	9.02
99	[illegible]	Treas 8pc 1992	96	+⅛	[illegible]	8.97
[illegible]	99	Treas 10½pc Cv 1992	104	+⅛	[illegible]	9.08
86	79	Treas 3pc 1992	84½	+⅛	[illegible]	7.34
115	105	Exch 12¼pc '92	111½	+⅛	11.[illegible]	9.13
121	110	Exch 13½pc 1992	115	+⅛	11.[illegible]	9.17

Five to Fifteen Years

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
107	97	Treas 10pc 1993	103	+⅛	9.66	9.11
118	107	Treas 12½pc 1993	113	+⅛	11.00	9.18

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
94	81	Treas 8pc 2009	91	–⅛	8.77	8.91
102	89	Conv 9pc Ln 2011	100	–⅛	8.98	8.97
69	59	Treas. 5½pc 2008-12	67	–⅛	8.17	8.76
91	79	Treas. 7¾pc 2012-15	88	–⅛	8.79	8.91
134	116	Exch. 12pc '13-'17	129	–⅛	9.29	9.04

Undated

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45	39	Consols 4pc	44	–⅛	9.05	–
41	34	War Loan 3½pc	39	–⅛	8.89	–
52	46	Conv. 3½pc '61 Aft.	51	–⅛	6.86	–
34	29	Treas. 3pc '66 Aft.	32	–⅛	9.12	–
29	24	Consols 2½pc	27	–⅛	8.95	–
29	24	Treas. 2½pc	27	–⅛	8.95	–

Index-Linked

1987/88 High	Low	Stock	Price £	+ or –	(1)	(2)
119¼	108	Treas 2pc IL '90(333.9)	118¼	–⅛	0.99	2.33
101	93	Do. 2pc '92 (385.8)	99	–⅛	2.19	2.82
132	119	Do. 2pc '96(267.9)	131	.....	3.24	3.55
111½	96	Do 2½pc '01 (308.8)	109½	+⅛	3.71	3.92
110	94	Do. 2½pc '03(310.7)	107	+⅛	3.72	3.92
113	94	Do. 2pc '06(274.1)	108	+⅛	3.77	3.93
108	89	Do. 2½pc '09(310.7)	102	+⅛	3.76	3.91
113	93	Do. 2½pc '11(294.1)	106	+⅛	3.76	3.90
95	76	Do. 2½pc '13(351.9)	88	+⅛	3.73	3.86
103	83	Do. 2½pc '16(322.0)	95	+⅛	3.68	3.81
101	81	Do. 2½pc '20 (327.3)	93	+⅛	3.62	3.73
86	68	Do. 2½pc '24 (385.3)	78	.....	3.57	3.68

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for June 1987: 101.9 and for January 1988: 103.3 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113	97	African Dv Bk 11½pc Ln 2010	107	–⅛	10.39	10.29
109	93	Asian Dev Bk 10¼pc Ln 2009	103	–⅛	9.93	9.88
136	117	Australia 13½pc 2010	128	–⅛	10.51	10.23

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42¼	22¼	TRW Inc. 62½c	27⅞xd	+½	$1.60	—	3.1
37⅞	21	Texaco $5	23⅞xd	-⅛	$3.04	—	7.0
220	149½	Do 10pc Ln Stk 91-6	195	.....	10%	—	4.7
29⅝	15⅞	Texaco $6.25	24⅛	-⅛	$3.00	—	6.0
74½	36½	Time Inc. $1	49⅝	+⅛	$1.00	—	1.1
30⅞	15	Transamerica $1	14⅝	+½	$1.84	—	6.1
14⅛	1¼	Transworld Corp $5	963p	+11	20c	—	1.1
27⅛	12⅞	TRINOVA Corp	18⅞	.....	56c	—	1.7
24⅞	12⅝	♦USX $1	16⅞	-⅛	$1.20	—	3.9
37⅞	16⅞	Utd. Technologies	22½	+⅛	$1.40	—	3.4
38⅝	25⅞	US West	29⅞	+⅛	[illegible]	—	6.1
30½	17⅛	Waste Management $1	19⅞	+⅛	[illegible]	—	1.0
31⅛	11⅛	Whirlpool $1	15	-⅛		—	—
37⅛	16½	♦Woolworth $3½	25½	+1½	[illegible]	—	2.8

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13	865	Sun Life 5p	£10⅞	.....	t28.5	—	3.4	—
£69½	£36¼	♦Taisho M EDR	£59⅞	+1¼	s010%	—	0.8	—
£22⅛	£12⅝	Torchmark $1.00	£16¼	.....	Q$1.00	—	3.4	—
410	235	Trade Indemnity	365	−2	14.3	—	1.6	—
£34	£17⅛	Travelers $1.25	£28¼	−⅛	$2.40	—	6.5	—
£30¼	£15¼	USF & G Corp $2.50	£17⅜	−⅛	Q$2.64	—	8.1	—
£33⅛	£15¼	USLIFE Corp. $1.0	£20	+⅛	Q$1.28	3.2	3.5	0.9
738	495	♦Utd Friendly B 10p	555	+30	21.0	—	5.2	—
464	192	Willis Faber 12½p	210	.....	t10.75	2.4	7.0	8.0
128	41	♦Windsor Secs. 10p	61	−2	0.8	♦	1.8	♦

LEISURE

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
35½	9	♦A & M Group 10p	9	−1	—	—	—	—
242	77	Airtours 10p	185	−1	L65.4	1.6	7.2	12.2
*549	253	Anglia TV	409xd	−5	14.5	♦	4.9	♦
141	62	♦Aveeno 1p	91	.....	0.5	6.7	0.8	25.7
72	39	♦BCE Hldgs 5p	39	.....	Ld1.0	2.7	3.5	14.5
300	132	Barr & W.A.T. 'A'	227	.....	t8.0	1.4	4.8	18.5
68	28	♦Bond Media	23	−44	—	—	—	—
235	165	Boosey & Hawkes	218	−1	—	—	—	—
83	28	♦Border T.V.	42	.....	t1.4	2.4	4.6	12.2
*439	43½	Brent Walker 10p	343	.....	t98.5	2.2	3.8	17.5
124	79	Do 6pc.Cv.Cm.Rd.Pf	106	.....	6.0	—	7.6	—
*338	110	Campari Int. 20p	296	+16	t3.0	5.1	1.4	15.2
306	152	♦Castle Comms. 5p	198	+5	L7.0	2.0	3.0	13.8
211	127	Capital Radio 10p	187	.....	6.0	2.7	4.4	11.6
684	370	Central TV	530	−1	t17.0	2.3	4.4	13.7
274	112	Chrysalis	125	+2	7.0	1.9	7.7	9.3

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
First Dealings	Option Declarations	Last Dealings	Account Day
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18
Apl 11	Apl 21	Apl 22	May 3

*New time dealings may take place from 9.00 am two business days earlier.

Base rate cut no help to equities and Gilt-edged turn down on profit-taking

NOT EVEN a cut in UK bank base rates, hard on the heels of a tax-cutting Budget and quickly followed by satisfactory US trade figures, could bring the buyers back into the UK securities markets yesterday. Long-dated Government bonds defied convention by turning lower on the rate cut, while equities remained on the downtack at first, edging ahead only when the favourahle US trade figures hronght a firm opening on Wall Street.

The half point reduction to 8½ pc in UK base rates, forced on the anthorities wben(overnigbt) demand for sterling in the Far East overflowed into London and took the DM/sterling rate close to 3.11, caught the securities markets by surprise. City analysts had discounted such a move at present after the apparent disagreement between the UK Prime Minister and her Chancellor of the Exchequer on exchange rate policy.

"We got it wrong becanse nobody knew the new rules of the game", complained one leading analyst, adding that another cut cannot now be ruled ont if international money continues to flow into high-yielding currencies, with the pound still tbe obvious choice. The markets remained unsure of the authorities new target for sterling.

With sterling still above DM 3.09 after the Bank of England had engineered the round of base rate cuts by the major banks, there was little support for the exporting stocks. Equities were also held back by technical factors. The London marketmakers are flush with stock, taken on board ahead of the Budget. Moreover, Monday brings the opening of a three week trading account, traditionally unpopular with traders.

However, the announcement of a US trade deficit for January of $12.44bn, against London predictions of around $14bn, was well received. Share prices rallied from their lower levels, and an early donble digit gain on the Dow helped London equities crawl into plus territory.

The FT-SE 100 Index, which opened 11 points down as the international blue chips reacted to the initial upswing in thc ponnd, was still six points off after tha base rate news. Tha Index closed a net 2.4 higher on the day at 1828.1.

The late rally owed much to heavy purchases of ICI shares by the London arm of Salomon Bros, the US securities house, to meet the needs of a large buyer of ICI's American Depositary Receipts (ADRs) in New York.

The reduction in bank base rates to 8½ per cent cast a shadow over the yield curve of the Gilt-edged market. Long-dated Gilts yielded barely 9 per cent when the rate announcements came, having moved up ½ a point initially as the pound advanced. The trend was quickly reversed on the base rate cuts, as profits were taken hy London traders.

Although the improved US trade deficit belped steady the sector, long dates ended near their lows with net falls of $\frac{5}{16}$. Losses in medium dates were smaller, while the shorts closed a touch firmer, following money market rates.

The early firmness in Gilts helped the new tap stock at first, and the stock moved from its £50 partly-paid price to around 50$\frac{3}{16}$, befora shading off with the market to end at 50$\frac{5}{32}$.

BTR, the industrial conglomerate, eased to 251p as the market registered slight initial disappointment with the preliminary figures. Pre-tax profits of £590m compared with analysts forecast which ranged from around £595m to £600m.

Analysts, however, came away from the afternoon meeting with the company on an optimistic note. Kitcat and Aitken is raising its current year forecast to $682m on expectations of good solid growth without the adverse currency movements experienced last year. Warburg Securities has also raised its profits expectations for the group. The BTR share price subsequently rallied to close 3 firmer on the day at 262p in a volume of 9.7m.

Oil shares were again unsettled by worries over crude oil prices — April Brent fell 15 cents yesterday to $14.50 a barrel owing to talk that Saudi Arabia is offering spot market prices to Japanese customers— but rallied well towards the close.

Turnover in BP "old" came out at 3.3m with the stock unchanged at 269p while the "new" saw 5.8m shares traded and closed ¼ up at 75p.

Preliminary results from Enterprise and the latest drilling success on the Nelson field were given a good reception and the shares added 5 at 360p.

Merchant banks were highlighted by Morgan Grenfell which dipped to 265p before closing a net 7 off at 267p on general disappointment with the preliminary profits;the pre-tax figure of £60m compared with last time's £82m, was at the lower end of market forecasts which had ranged from £55 to £68m.

Commercial Union spurted 7 more to 341p on turnover of 4.8m shares with sentiment given a boost by talk that motor insurance premiums in Massachusetts, where Commercial Union is heavily involved, are about to double.The rest of the sector was pushed higher as news began to filter through of a 10 per cent hike in buildings insurance premiums. Royals moved up 6 to 415p on turnover of 1.1m. Legal & General, after announcing pre-tax profits down 22 per cent at £79.2m against £101.8m — entirely due to the October hurricane which cost Legals £42m — were only a fraction down at 269p on turnover of 3.6m. An otherwise subdued brokers sector showed Derek Bryant a major casualty and finally 8 lower at 115p after another bout of aggressive selling pressure.

In the new issue sector, UK Paper staged a satisfactory market debut; the shares, oversubscribed some 11 times at the offer price of 136p, opened at 151p, but subsequently eased back on stag selling to close at 143p.

Vosper Thornycroft, the shipbuilding group, touched 201p prior to closing at 183p compared the placing price of 160p.

Volume fell away, disappointingly in the Brewery sector. Only Guinness traded with distinction — some 2.5m shares changed hands — but demand from investors looking forward to next Thursday's annual results was matched by sales. The price therefore did little more than harden, closing at 322p. Estimates of the group's profits range within a tight band, andCounty NatWest and BZW both opt for £405m. Remaining leaders were a touch softer but cidermaker H.P.Bulmer, 2 firmer at 171p, continued to respond to Nomura Research Institute advice that for small company funds the stock "offers real attractions on p/e and yield grounds".

Leading Building shares moved narrowly, the cut in base rates being virtually ignored. Costain were the sector's only feature, rising 13 to 318p, while George Wimpey hardened 2 to 263p for a two-day rise of 8 on takeover hopes. Rugby firmed 5 to 250p with James Capel reportedly keen buyers. Builders merchants Sharpe and Fisher revived on "new-time" buying with a gain of 13 to 205p.

Sequa, the chemicals concern, were marked up some 140p to match the 400p per share cash offer for the 16.5 per cent of the company not already-owned by Casco Investors Corporation, a wholly-owned subsidiary of Sequa Corporation, a diversified international group.

Dealers reported a return of "genuine investment buying" in the stores sector although best levels were not always held. Harris Queensway came to life with a 3 gain at 132p after a "buy" recommendation from Morgan Grenfell the securities house. Woolworth attracted good support to close 8 up at 306p.

Second-liners showed A.Goldberg 6 firmer at 183p after recent buying by Scottish American Investment Trust whose stake is now above 5 per cent. Hampden Homecare's preliminary profits upturn helped ther shares add 3 at 88p.

The major electrical and electronics stocks continued to attract a heavy two-way business. Racal, with 9.5m shares traded, featured with a 3½ decline at 221p, amid growing market fears of a price cutting war in the cellular telephone business.

Ferranti's turnover expanded rapidly to 9.2m with the stock riding out a mid-session flurry of selling to close a penny up at 84p, ahead of next week's major presentation to analysts to be held in Manchester.

Among the Engineers, Howden Group met with persistent speculative demand in the wake of takeover rumours and moved ahead smartly to close 8 higher on the day at 112p.

Annual profits broadly in line with market estimates failed to sustain Rowntree which settled 5 lower at 460p following a turnover of 3.6m shares. Unigate slipped 3 to 369p following a profits downgrading by County NatWest.

Glass Glover, the fresh fruit and vegetable supplier, soared 65 to 250p following a bid approach from an unnamed party. Several prospective bidders' names were being bandied about, including Fyffes, Geest, Unigate or even Hillsdown Holdings.

International stocks were lowered initially in the wake of the strong overnight advance in sterling but subsequently rallied as the interest rate moves took the upward pressure off the currency. Glaxo mirrored the trend, closing 8 off at 1068p, after falling to around 1077p at one stage. Beecham settled 4 lower at 470p. BOC finished a few pence better at 361p; the company announced yesterday it has agreed to purchase Selox, an industrial gasses company based in the south eastern region of the US. Wellcome were unsettled by talk of a bearish circular in the pipeline from a US investment house and the shares fell away in a volume of some 4.4m to close 9 off at 460p.

AAH met with a late flurry of activity amid vague talk about the Unichem situation and closed 10 to the good at 256p. A revival of speculative demand left Bridport Gundry 15 dearer at 195p. Norcros, reflecting the appointment of of Mr Michael Doherty as chief executive, improved 9 to 421p. CCF fell 30 to 215p, the preliminary results being outweighed by the warning on the current outlook. Keep Trust remained unsettled by the change in company car tax and reacted 7 more to 398p, while Economic Forestry, still reflecting the proposed alterations in taxes for commercial woodlands, eased 5 further to 78p.

Television group HTV lost ground following disappointing first-half figures and closed 14 lower at 241p.

A Citicorp Scrimgeour Vickers post-Budget assessment of the new employment benefit scale charge for company cars found investors in unreceptive mood. Few stocks were able to improve, although the investment house said of Motor shares, despite the doubled tax charge, "they still represent good value once insurance, service and depreciation, and road tax are taken into account. There might be some shift towards smaller cars but the total impact on car sales will be less than a few thousand at most".

Jaguar steadied after Wednesday's weakness on the annual figures, although analysts were extremely guarded about group prospects. County NatWest was more forthcoming than most, rating the stock a "sell" because of declining earnings over the next five years.

A good preliminary statement, including a free issue of shares, sent Watmoughs 15 up at 405p and Barbour Index continued to advance, gaining 10 more in a thin market to 300p. DRG became subdued as researchers took a cautious stance after Wednesday's full-year results, while a spate of "buy" recommendations failed to make much impact on Lowe Howard-Spink, at 391p. Carlton Communications stood out with a rise of 17 to 770p but J.Michael Design, at 38p, eased after news that the bid discussions, reported last week, had been terminated and that negotiations were in progress which could lead to the acquisition of an unquoted company.

The Chancellor's proposals on Capital Gains Tax continued to benefit established property companies with Land Securities rising 7 more to 537p and MEPC gaining 9 to 519p. Great Portland Estates firmed 6 afresh to 314p and British Land hardened 3 to 299p, the latter helped by acquisition news. Helical Bar attracted early support and touched 286p prior to closing 8 higher at 291p.

Speculation that the group was vulnerable to a predator because of its current low rating accompanied revived support of John Crowther and the shares rose 8 to 143p. Other Textile issues to swing higher included Leeds, 7 dearer at 375p, and Yorklyde, 5 better at 208p. BZW advice that the shares were overvalued in the short term left Sirdar slightly easier at 111p.

Traded option business contracted yesterday with the total number of contracts virtually halved at 25,187. ICI were reasonably active, the July and October series being the most popular. The FTSE contract attracted 1,414 calls and 1,239 puts.

Traditional Options

- First dealings Mar 14
- Last dealings Mar 25
- Last declarations June 16
- For Settlement June 27

For rate indications see end of London Share Service

Dealers reported a relatively lively interest in the Traditional option market. Stocks dealt in for the call included Jones and Shipman, Consolidated Gold Fields, Premier Consolidated, Ferranti, BTP, Sears, Eurotunnel, Control Securities, Dares Estates, Lopex, Powerscreen, Leisure Investments, British Petroleum new, Stakis, Scottish and Newcastle, Jaguar and Aran Energy. Puts were arranged in Kentish Property, Cowan de Groot and Jones and Shipman, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Mar. 17	Mar. 16	Mar. 15	Mar. 14	Mar. 11	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.51	90.53	91.03	90.76	90.47	91.90	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.46	97.57	97.47	97.21	97.28	97.98	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1459.1	1455.9	1470.4	1460.8	1449.9	1581.6	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	244.2	246.8	243.0	245.3	248.6	350.4	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.44	4.45	4.41	4.44	4.45	3.71				
Earnings Yld. % (full)	11.31	11.33	11.23	11.30	11.35	8.29				
P/E Ratio (net)(*)	10.78	10.76	10.86	10.79	10.75	14.27				
SEAQ Bargains (5pm)	31,986	30,600	27,409	27,592	29,874	51,952				
Equity Turnover (£m)	-	1146.81	897.49	1076.66	1702.47	1503.68				
Equity Bargains	-	31,626	31,867	31,423	34,309	63,380				
Shares Traded (ml)	-	499.1	390.6	425.3	654.0	620.6				

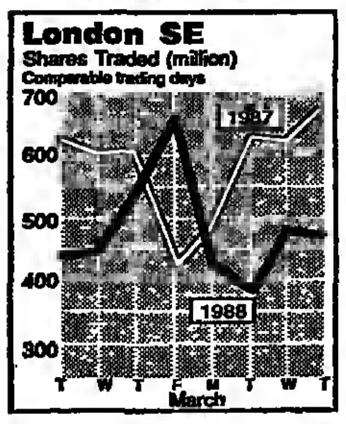
S.E. ACTIVITY Indices	Mar.16	Mar.15
Gilt Edged Bargains	136.5	143.2
Equity Bargains	204.9	205.5
Equity Value	2258.4	1814.1
5-Day average		
Gilt Edged Bargains	133.9	134.5
Equity Bargains	208.8	209.6
Equity Value	2621.5	2700.1

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1448.1	1450.6	1449.7	1451.3	1450.3	1450.5	1450.6	1454.8

Day's High 1459.1 Day's low 1444.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.68.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001



NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (13). [illegible]

NEW LOWS (10). [illegible]

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Mar 16 Index No.	Tue Mar 15 Index No.	Mon Mar 14 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	766.91	+0.1	9.74	3.86	12.88	2.89	766.40	775.49	772.31	857.61
2	Building Materials (30)	1025.83	-0.4	9.69	3.68	12.85	0.85	1030.18	1033.14	1025.54	1049.23
3	Contracting, Construction (34)	1593.09	+0.4	8.94	3.19	14.85	3.62	1587.02	1582.37	1573.17	1466.81
4	Electricals (11)	2069.97	+0.2	9.96	4.90	12.70	1.20	2066.02	2104.08	2104.60	2090.95
5	Electronics (32)	1529.81	-0.1	10.80	3.57	12.07	6.21	1530.82	1575.55	1567.83	1947.09
6	Mechanical Engineering (58)	399.74	+0.1	9.66	4.24	13.04	8.96	399.20	402.92	402.70	479.15
8	Metals and Metal Forming (7)	463.77	-0.1	9.25	3.72	13.84	0.00	464.45	466.03	459.50	455.55
9	Motors (13)	282.87	—	11.18	4.22	10.50	8.71	282.87	287.31	289.99	325.84
10	Other Industrial Materials (24)	1277.15	+0.6	8.63	4.11	13.78	4.58	1269.74	1285.56	1278.38	1454.63
21	CONSUMER GROUP (185)	1078.06	—	8.41	3.49	15.15	2.68	1077.86	1081.02	1073.26	1172.55
22	Brewers and Distillers (21)	1083.60	—	10.22	3.63	12.36	4.24	1083.76	1075.00	1063.47	1079.60
25	Food Manufacturing (23)	846.04	+0.3	9.49	4.02	13.47	2.30	843.14	850.70	845.29	876.03
26	Food Retailing (16)	2135.71	+0.6	7.54	3.00	17.85	7.15	2123.86	2150.31	2138.40	2167.16
27	Health and Household Products (10)	1882.75	-0.9	6.45	2.55	18.35	0.45	1899.05	1914.20	1903.39	2334.26
29	Leisure (31)	1288.95	+0.7	7.62	3.72	16.87	9.10	1279.76	1281.90	1260.51	1223.72
31	Packaging & Paper (16)	513.89	—	8.21	3.64	16.02	0.46	513.66	517.02	517.51	587.14
32	Publishing & Printing (16)	3568.21	+0.1	6.40	4.18	19.63	4.21	3564.35	3564.74	3544.39	3564.80
34	Stores (34)	850.33	-0.2	8.97	3.61	14.95	1.41	851.64	847.47	842.55	991.972
35	Textiles (18)	575.58	+0.3	12.02	4.34	9.56	0.19	573.62	580.40	578.02	604.31
40	OTHER GROUPS (93)	902.21	+0.5	10.51	4.17	11.85	3.64	897.42	902.53	896.26	968.23
41	Agencies (19)	1183.71	+0.4	6.84	2.23	18.87	4.36	1179.25	1179.93	1171.45	1385.75
42	Chemicals (20)	1040.52	+0.9	11.51	4.74	10.64	18.08	1031.25	1044.77	1035.49	1190.23
43	Conglomerates (14)	1187.14	-0.2	9.63	4.44	12.09	3.14	1189.45	1191.15	1182.29	1267.69
45	Shipping and Transport (12)	1947.79	-0.1	8.72	4.24	14.98	0.00	1949.62	1928.59	1920.77	1952.13
47	Telephone Networks (2)	987.46	+1.1	10.90	4.29	12.21	0.00	976.94	990.60	980.73	991.26
48	Miscellaneous (26)	1199.85	+0.5	12.72	4.00	9.36	0.54	1194.06	1194.89	1194.13	1322.72
49	INDUSTRIAL GROUP (487)	960.16	+0.2	9.33	3.77	13.50	2.85	958.51	964.24	958.14	1047.79
51	Oil & Gas (13)	1019.57	-0.2	9.51	5.72	13.09	34.27	1023.03	1035.14	1028.25	1790.72
59	500 SHARE INDEX (500)	1032.88	+0.1	9.36	4.05	13.44	5.63	1031.67	1037.90	1031.72	1118.46
61	FINANCIAL GROUP (122)	680.71	—	-	4.79	-	6.74	680.79	677.83	667.20	682.27
62	Banks (8)	662.14	-0.6	22.92	6.15	5.87	15.42	666.32	663.18	655.76	727.18
65	Insurance (Life) (8)	1015.13	-0.2	-	4.64	-	0.00	1017.47	1000.26	976.61	901.11
66	Insurance (Composite) (7)	539.15	+0.6	-	5.43	-	5.78	535.74	536.40	531.10	531.81
67	Insurance (Brokers) (7)	858.71	-0.1	14.17	7.59	8.99	16.28	851.00	861.50	863.51	1156.29
68	Merchant Banks (11)	358.92	-0.4	-	3.97	-	0.02	360.50	361.64	360.99	378.49
69	Property (51)	1121.51	+0.6	4.88	2.77	26.21	1.23	1114.63	1104.85	1074.91	903.21
70	Other Financial (30)	397.13	-0.1	9.66	4.30	13.02	1.90	397.55	399.65	395.89	455.13
71	Investment Trusts (82)	878.87	+0.4	-	2.97	-	3.71	875.63	878.15	871.71	975.70
81	Mining Finance (2)	450.65	+1.8	10.09	3.82	11.17	2.01	442.54	446.90	438.99	388.44
91	Overseas Traders (8)	1026.16	+0.6	9.99	5.27	11.86	14.64	1019.90	1029.96	1024.49	981.15
99	ALL-SHARE INDEX (714)	938.36	+0.1	-	4.13	-	5.78	937.12	941.25	934.00	994.65

	Index No.	Day's Change	Day's High	Day's Low	Mar 16	Mar 15	Mar 14	Mar 11	Mar 10	Year ago
FT-SE 100 SHARE INDEX ♦	1828.1	+2.4	1828.1	1811.3	1825.7	1839.9	1819.5	1811.6	1834.6	1991.8

FIXED INTEREST

	PRICE INDICES	Thu Mar 17	Day's change %	Wed Mar 16	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.53	+0.21	123.26	—	2.37
2	5-15 years	141.97	-0.01	141.98	—	2.39
3	Over 15 years	180.85	-0.16	181.09	—	3.73
4	Irredeemables	168.92	-0.26	169.36	—	1.94
5	All stocks	138.36	+0.04	138.31	—	2.56
	Index-Linked					
6	5 years	124.17	-0.23	124.45	—	0.51
7	Over 5 years	117.36	+0.12	117.22	—	0.85
8	All stocks	117.76	+0.09	117.66	—	0.85
9	Debentures & Loans	120.27	+0.20	120.04	—	1.63
10	Preference	89.09	-0.15	89.05	—	0.73

	AVERAGE GROSS REDEMPTION YIELDS		Thu Mar 17	Wed Mar 16	Year ago (approx.)
	British Government				
1	Low	5 years	8.68	8.73	8.00
2	Coupons	15 years	9.05	9.03	8.72
3		25 years	8.92	8.90	8.72
4	Medium	5 years	9.17	9.22	8.68
5	Coupons	15 years	9.23	9.21	8.92
6		25 years	9.07	9.04	8.94
7	High	5 years	9.27	9.32	8.83
8	Coupons	15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.65	2.56	[illegible]
12	Inflation rate 5%	Over 5 yrs.	3.84	3.84	[illegible]
13	Inflation rate 10%	5yrs.	1.74	1.64	[illegible]
14	Inflation rate 10%	Over 5 yrs.	3.68	3.69	[illegible]
15	Debs & Loans	5 years	10.76	10.76	[illegible]
16		15 years	10.61	10.63	[illegible]
17		25 years	10.61	10.64	[illegible]
18	Preference		10.46	10.46	10.78

♦Opening index 1814.3; 10 am 1819.6; 11 am 1818.5; Noon 1820.0; 1 pm 1818.7; 2 pm 1818.9; 3 pm 1819.2; 3.30 pm 1821.4; 4 pm 1824.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

March 17 Total Contracts 25,187 Calls 17,014 Puts 8,173
FT-SE Index Calls 1414 Puts 1239
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	46	54	14
Corporations, Dominion and Foreign Bonds	6	17	29
Industrials	367	403	792
Financial and Properties	162	116	364
Oils	26	22	61
Plantations	3	0	10
Mines	44	46	132
Others	83	55	112
Totals	737	713	1,513

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · HONG KONG · AUSTRALIA · SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices March 17

Sales	Stock	High	Low	Close	Chng
3858	AMCA Int	$6⅝	6⅝	6¾	
24059	Abitibi Pr	$25	24¾	25	+⅜
15600	Acklands	$15¼	15¼	15¼	−¼
19140	Agnico E	$20	19½	19⅝	−⅜
24123	Albrta En	$18¼	17⅞	18	+½
14050	Alberta N	$13¾	13½	13⅝	
435237	Alcan	$37	36½	37	+½
200	Algo Cent	$21	20⅝	21	+½
11509	Algoma St	$18⅞	18¾	18¾	−½
114500	A Barrick	$26	25⅝	26	+¼
33620	Aquanara	$12	11⅞	11⅞	
4830	Atco I f	$10¼	10	10¼	+¼
117275	BCE Inc	$38⅝	38⅜	38⅜	−⅛
30218	BCE D	325	315	320	+5
1700	BC Sugar A	$29⅞	28¾	28⅞	+⅛
174325	BGR A	$10½	10¼	10½	+¼
1798	BP Canada	$19⅝	19½	19⅝	+⅛
47970	Bk Montl	$27⅞	27⅜	27⅞	+⅜
283892	Bk NScot	$13⅝	13⅜	13½	+⅛
1300	Baton	$14¼	14	14¼	+¼
58450	Belmoral	212	206	207	−5
700	Bombdr A	$9⅝	9⅛	9⅝	+⅛
24800	Bombdr B	$9⅝	9⅜	9⅝	+½
69102	Bow Valy	$14¼	14	14½	+⅛

[illegible]

MONTREAL
Closing prices March 17

[illegible]

Total Sales 7,373,972 shares

OVER-THE-COUNTER
Nasdaq national market, closing prices

Continued from Page 49

[illegible]

Stock	Sales (Hds)		High	Low	Last	Chng
XOMA		522	12¾	12¼	12⅝	−⅛
Xicor	20	5493	9½	9⅛	9¼	−⅛
Xidex		12824	6½	6⅛	6⅜	+⅛
Xylogic	10	63	12¾	12¼	12¼	
Xyvan	40	544	6⅞	6½	5⅞	+⅛
YlowFs .62	22	1697	32	30⅞	31⅛	
ZionUt 1.44		7	25¼	24¾	25¼	
Zondvn	42	26	8⅞	8¾	8⅞	
Zycad	23	32	4¼	3⅞	4½	+⅛

INDICES

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES

Antofagasta Hldgs.	275	+ 28
Bridport-Gundry	195	+ 15
CASE	78	+ 15
Carlton Comms.	770	+ 17
Commercial Union	341	+ 7
Costain	318	+ 13
Crowther (J.)	148	+ 8
Glass Glover	250	+ 65
Goldberg (A.)	193	+ 6
Howden	112	+ 8
Leeds Group	375	+ 7
Parrish	250	+ 17
Sequa	400	+ 140
Silkolene	303	+ 18
Watmoughs	405	+ 15

FALLS

Bryant (D.)	115	− 8
CCF Group	215	− 30
HTV	241	− 14
Interlink Express	500	− 53
Morgan Grenfell	267	− 7
Wellcome	460	− 9

TOKYO – Most Active Stocks
Thursday, March 17, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	107.49m	465	-1
Mitsubishi Electric	87.31m	721	+10
Sumitomo Metal	67.25m	374	+2
Toshiba	61.21m	818	+10
Hitachi Ltd	38.04m	1430	+20
Nippon Kokan			
Tokyo Gas	34.97m	395	-3
Hitachi Zosen	34.6m	287	-1
Kawasaki Steel	33.98m	405	-3
Matsushita Electric Ind	24.55m	2650	+30
Ishikawajima-Harima Heavy Industries	21.26m	878	-2

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	22	3116	25	23⅛	24½	+1½
38⅛	21	AFG s	.16	.5	14	6693	32½	31⅞	32⅝	+⅜
27	10½	AGS s			18	337	18¾	18	18½	+½
10½	5	AMCA				7	5⅝	5¼	5⅝	+⅛
8	3¼	AM Intl				2245	4⅛	4⅛	4¼	−⅛
65½	28¾	AMR			13	5540	43¾	42⅞	43⅝	+¼
12¼	6⅝	ARX			9	172	8⅞	8⅝	8⅞	
73½	40⅛	ASA	3	6.5		398	46⅞	46	46⅜	−⅝
22⅝	9½	AVX			15	442	18¼	17½	18	+⅜
67	40	AbtLab1.20		2.4	16	8106	49¾	48⅞	49⅜	+⅛
28	15⅜	Abitibi g				635	18⅞	18⅜	18¾	+⅜
18¾	8½	AcmeC .40		3.1		413	12⅞	12⅝	12¾	+¼
10½	6⅞	AcmeE.32b		3.8	29	1	8¼	8¼	8¼	+½
20	14⅛	AdaEx 3.05e		19.		91	16⅜	16¼	16⅜	+⅛
18½	6⅞	AdamMl.24		1.8	10	35	13	12¾	12¾	−¼
24⅞	7⅛	AMD				4227	12¼	12⅛	12⅛	+⅛
56¾	29¼	AMD pf	3	8.1		8	37	36¾	37	
11⅞	4⅝	Adobe			15	178	8⅛	7¾	7⅞	−¼
20½	16¼	Adob pf 1.84		10.		0	18¼	19	18¼	+⅛
21¾	17½	Adob pf 2.40		12.		8	20⅝	20¼	20⅝	+⅛
15	8⅛	Advest .12a		1.6	8	87	7⅞	7⅝	7⅝	−⅛
67⅞	43½	AetnLf 2.76		6.0	8	1502	46⅝	45⅝	45¾	−½
83½	41	AfilPub .40		.6	36	580	64⅝	62¼	63½	+2
26⅝	13	Ahmans.88		5.8	8	2768	15⅜	15	15¼	+¼
6⅝	1¾	Aileen				210	2½	2⅜	2⅜	

Continued on Page 49

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
66	50	Xerox	5	5.2	11	3183	58¾	57	58⅛	+1¼
50⅞	49¾	Xerox pf				100	49¾	49⅝	49⅝	
50¼	50¼	Xerox pf4.13		5.9		24	u50¾	d50	50	−¼
58⅞	52⅜	Xerox pf5.45		10.		57	52⅞	52⅞	52⅞	
34⅝	18¼	XTRA	.64	2.0	16	211	32⅝	32⅛	32⅛	−⅝
33⅞	17½	Yorkdn			11	124	29¾	29½	29¾	+⅛
7⅛	2¼	Zapata				237	5¼	3⅛	3⅛	+⅛
37	13½	Zayre	.40	1.6	10	4323	22½	21⅝	21⅞	
16⅛	8¾	Zemex	.40	3.7	14	1	10⅞	10⅞	10⅞	+¼
39⅝	16	ZenithE				1345	17⅞	17½	17⅞	+¼
13½	2½	ZenLab				338	3	2⅞	3	+⅛
24	13½	ZenNtl	.80	4.1	9	615	19⅝	19¼	19⅝	+⅝
20⅝	11⅝	Zero	.36	2.4	16	101	15½	15⅛	15¼	+⅛
30¾	10	Zurmin s	.58	2.2	10	31	23⅝	23¼	23⅝	+⅛
10⅝	7⅝	Zweig	1.05e	11.		492	10	9⅞	9⅞	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 47

FINANCIAL TIMES

Friday March 18 1988

AMERICA

US trade figures give the markets a modest boost

Wall Street

NEWS OF only a modest widening in the US trade deficit in January gave both bond and equity markets a modest boost, *writes Janet Bush in New York.*

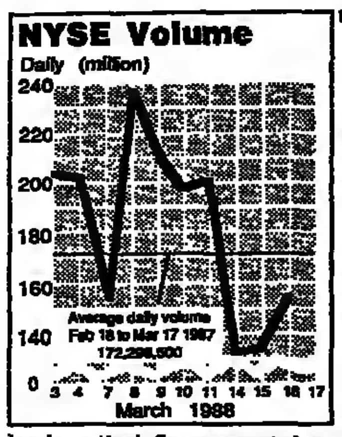
The Dow Jones Industrial Average moved in both directions in yesterday's session and displayed little conviction either way. During morning trading, it gained 15 points and then slipped back to a net gain of only 6 points before rallying in late trading to end 21.72 higher at 2,086.04. This is the highest close since the October share collapse. The previous post-crash closing high was *on March 8 at 2081.07.*

The US Treasury bond market reacted positively to the news of a $12.4bn deficit in January compared with the $12.2bn shortfall recorded in December, rising by a full point from its day's early low. The Treasury's benchmark 8.875 per cent long bond closed around ¾ *point* higher to yield 8.54 per cent. However, given that the bond market has been weak for the last fortnight, yesterday's recovery was rather disappointing.

If anything, the trade figures were slightly better than expected as many forecasts had been looking for perhaps a $13bn shortfall. There was also some encouragement that imports as well as exports fell during January. Mr Robert Brusca of Nikko Securities in New York noted that exports had fallen in every January for the last eight years for seasonal reasons whereas imports had fallen in only three of the last eight years.

The waiting-game ahead of yesterday's trade figures had kept activity subdued in both the bond and equity *markets.*

An additional discouragement to activity to the stock market



has been the influence exerted on the market twice in the last week by stock-index arbitrageurs adjusting their positions before today's triple witching hour when stock index indices, options on the indices and options on individual stocks all expire.

Last Thursday, the market suddenly plunged more than 48 points as arbitrageurs sold stock in the cash market. Late on Wednesday, the market rose 20 points in half an hour as the reverse transactions took place. Traders who base their decisions on economic fundamentals – such as the trade balance – are discouraged by the grip technical trading of this kind continues to have on the market.

In the aftermath of the trade figures announcement, there was still a measure of caution in the market because of these technical considerations.

Takeover stocks continued to provide the most interest in the market. American Standard advanced $⅛ to close at $76⅝ after the company announced it had agreed to be acquired by *Kelso & Co for $78 a share in a* leveraged buy-out. This bid outstripped a sweetened $77-a-share offer from Black & Decker, which saw its share price rise $1 to $19¼.

Digital Equipment plunged $4⅞ to $112⅞ after an analyst at Merrill Lynch reduced his earnings estimate for the company's third quarter and full year along with his short-term investment rating on the stock.

US Shoe rose $2⅛ to $24⅝ as speculation continues to rage about a takeover bid. The company declined to comment.

Pillsbury extended this week's strong rally on takeover rumours. It rose $3⅝ to $45¼. The rumours centre on possible bids by Beatrice Foods, Nestlé, *Pepsico and the New York inves*tor Mr Saul Steinberg. Both Nestlé and Beatrice refused to comment.

SSMC, *the manufacturer of* sewing equipment and furniture, climbed $3⅛ to $30⅞ in the wake of news that Singer, which used to own SSMC, may seek the sale of the company. Singer has a 15 per cent stake in SSMC and holds preferred stock convertible into an additional 11.9 per cent interest. Singer's share price closed unchanged at $49⅝.

Canada

STOCKS closed higher in late trading in Toronto, shadowing a stronger US dollar and bonds. Mining issues were prominent as surging base metals offset losses by gold issues. The composite index rose *17.2 to 3,319.7 371* on light turnover of 16.8m shares.

Active shares included Canadian Tire C firming C$¼ to C$15¼, *Laidlaw up C$¼ to* C$18¾ and Bank of Nova Scotia C$⅛ stronger to C$13½.

ASIA

Nikkei forges ahead to its pre-crash level

Tokyo

ACTIVE buying of high-technology and biotechnology-linked stocks spurred the *Nikkei* average back to its pre-crash level for the first time to Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The index climbed 167.86 to finish at 25,872.29 after fluctuating between 25,713.70 and 25,875.54. By the end of the day the Nikkei had breached *the level of* 25,746.56 reached on October 19, the day before it joined headlong in the global plunge.

Volume fell back a little from the previous day's 1.68bn to 1.19bn shares, reflecting weaker buying of big-capitalisation stocks. Declines slightly outpaced *advances by 467 to 465,* with 130 issues unchanged.

The Tokyo Stock Exchange raised margin requirements from 50 per cent to 60 per cent yesterday to prevent overheating.

But the dominant view among market players was that the measure would have little impact on the *market,* since the value of margin transactions is still considered low at about Y7,000bn, compared with the overall market value of the TSE's first section, worth Y427,000bn.

Yesterday's trading saw investors shying away from the giant-capitals.

Nippon Steel eased Y1 to Y465 after rising Y6 briefly on the day's largest volume of 107.5m shares, down about 50 per cent from the previous day's 216.1m shares. Nippon Kokan and Kawasaki Steel weakened Y3 each to Y395 and Y405 respectively, and Ishikawajima-Harima Heavy Industries lost Y2 to Y878. Sumitomo Metal Industries, by contrast, firmed Y2 to Y374.

High-tech stocks came into the spotlight, with Matsushita Elec*tric Industrial, on 24.6m* shares traded, strengthening Y30 to Y2,650. NEC gained Y80 to Y2,160, Fujitsu Y40 to Y1,540 and Nippon Kogaku Y60 to Y1,220.

Konica surged Y120 to Y1,320 on persistent rumours of buying by speculators, while Nippon Telegraph and Telephone shed Y20,000 to Y2.41m on light selling.

Heavy electricals climbed almost across the board, with Mitsubishi Electric, the second busiest stock with 87.3m shares, advancing Y10 to Y721, while Toshiba added Y18 to Y810 and Hitachi Y20 to Y1,430.

Among the main gains in the biotechnology sector, Takeda Chemical rose Y40 to Y3,230, Yamanouchi Pharmaceutical Y70 to Y4,240 and Sankyo Y30 to Y2,230.

Utilities and domestic demand-related stocks weakened, with Tokyo Electric Power Y50 lower at *Y6,300, Tokyo Gas* Y40 at Y1,200 and Mitsubishi Estate Y40 at Y2,180.

Bonds tumbled on small-lot selling by bank dealers after recent steady gains, mirroring a sharp overnight fall on Wall Street, with many investors keeping a low profile ahead of the *announcement of US trade data* for January.

The yield on the benchmark 5.0 per cent government bond maturing in December 1997 rose from Wednesday's 4.385 per cent finish to 4.455 per cent.

The Osaka Securities Exchange stock average, meanwhile, gained *94.42 to 26,018.58, reflecting con*tinued buying of blue chips. Turnover decreased by 112m shares to 192m shares.

Murata Manufacturing added Y100 to Y2,990 and Seiren Y67 to Y635, while Nankai Electric Railway shed Y40 to Y1,360.

Australia

STRONG demand from local institutions, spurred by a firm Australian dollar and Wall Street's advance the previous day, led the market sharply higher.

The All Ordinaries rose to its highest level since October 28, adding 24.8 to 1,382.5. The mining index ended 17.5 higher at 672.3.

Turnover was 134m shares worth A$184.50, while gains outnumbered falls by about three to two.

Among industrial stocks, Adsteam jumped 46 cents to A$5.60 on speculation it was attempting to block Bell Resources' takeover bid for Bell Group. Bell Resources added 7 cents to A$1.35 and Bell Group was off 9 cents at A$1.88.

Adsteam subsidiary David Jones, the Sydney-based retailing group, gained 40 cents to A$7.50, while fellow retailer Coles Myer added 40 cents to A$7.40, after reporting a 35 per cent rise in net interim profits.

After the market closed, news emerged that *entrepreneurs* Sir Ron Brierley and Mr Kerry Packer were making a A$825m bid for Mr Robert Holmes à Court's Bell Resources.

Gold stocks were mixed to higher, with North Flinders adding 20 cents to A$6.60, Renison Goldfields 20 cents to A$6.40, Bougainville 8 cents to A$3.40, and Metana remaining unchanged at A$7.80.

Hong Kong

IMPROVED local investor sentiment and the previous gain on Wall Street boosted share prices, with the Hang Seng index climbing 26.29 to 2,581.33.

Turnover was fairly heavy at HK$1.03bn against HK$787m the previous day, although institutional investors were remaining on the sidelines for the release of US trade data.

Speculation surrounding Mr Li Kashing's next moves provided the day's excitement and boosted *his holding company* Cheung Kong 10 cents to HK$7.85 in heavy turnover.

There were reports that Cheung Kong was arranging a credit line worth up to HK$2bn, leading to rumours that Mr Li was preparing to bid for Hongkong Land.

The property company, which ended the day 15 cents higher at HK$7.90, is also expected to release strong results today.

Singapore

CONTINUED gains on Wall Street and the post-crash high reached in Tokyo buoyed sentiment, helping to push the Straits Times Industrial index 12.16 to 958.68.

Trading was active, with volume rising to 37.5m shares against 22.5m on Wednesday.

The day saw selective buying by foreign and local institutions, with blue chips especially in demand.

Malayan Breweries added 25 cents to S$9.70 and Fraser and Neave rose 15 cents to S$8.65.

Top losers included National Iron, off 5 cents at S$6.50 and Inchcape, 2 cents lower at S$4.44.

Dai Hayward reports on a market's 1988 personal best

New Zealand rebounds sharply

NEW ZEALAND'S stock market scored its biggest one-day rise of the year yesterday as the confidence that has gradually returned over the last three weeks translated into a burst of buying.

The Barclays index jumped *76 points, or 4 per cent,* to 1,969, to bring the market's recovery to 20 per cent from the low point reached on February 29.

A shortage of stock and scarcity of sellers contributed to the big rise in the market, which has seen the return this month of institutions and overseas buyers, notably from Australia.

The buoyant tone was also helped by the abolition of *stamp duty on share transac*tions. The Government announced last December that abolition would take place before April, but the sudden passing of the measure by Parliament late on Wednesday evening gave investors an extra boost of confidence.

The growing optimism is also visible in the futures market, where prices suggest the Barclays Index will rise further over the next few weeks.

The March Barclays Index contract rose 80 yesterday to 2,010 in heavy volume, breaching the 2,000 level for the first time since January 5.

Although no longer the sick animal it has been for the past five months, the New Zealand stock market cannot be described as bullish.

There is still some underlying nervousness, as shown by sudden reversals of the recent upward trend. On Tuesday, for example, the index slipped back after lower than expected profits from Brierley Investments. The market then appeared to reconsider the NZ$75m ($50m) profit and stocks rallied 23 points on Wednesday, with the biggest *turnover in Brierley shares.*

The New Zealand market had started to fall a month before the October crash hit markets around the world. From a high point of 4,000, the index had reached 1,625 by February 29, with a single-day drop of 57 points. Market optimists now hopefully suggest this will prove to be the low point.

In February the stock exchange demanded that companies provide full details of stock market losses following the crash. All but half a dozen, which included some companies *already in receivership,* did so.

The exchange made this information public in early March – with almost immediate results. Publication put an end to speculation and rumours and by March 7 the index was back above 1,800 *points* – up nearly 11 per cent from February 29.

Share volumes and prices have continued to rise. A number of *announcements* last week – healthy half-year profits from Fletcher Challenge, worthwhile earnings from several other local companies and the NZ$661m sale of assets by Brierley Investments to Fletcher – all focused attention on the market.

Last Friday the Barclays Index closed at 1,891 – up 98 points on the week despite some profit-taking by overseas investors, who had begun to show considerable interest in early March in what many saw as under-valued share prices in leading companies.

EUROPE

Daimler rumours boost Frankfurt

A PLETHORA of corporate news and results helped push most markets higher in Europe yesterday, with Milan and Amsterdam hitting 1988 peaks. Frankfurt was buoyed by persistent speculation *about Daimler's plans for AEG,* while Paris remained woefully quiet, hit by continuing concern over the election, *writes Our Markets Staff.*

FRANKFURT rose for the third consecutive session, driven by domestic liquidity and continuing rumours about Daimler.

The FAZ index ended the day 3.28 higher at 468.35 in moderate turnover estimated at about DM1.5bn. There was still some nervousness before the release of US trade figures, which came after the market closed, although the general feeling was that they would be better than expected.

Further speculation that Daimler intended to boost its stake in AEG helped pushed the latter DM10 higher to DM267.

Daimler said yesterday that it was in *talks with AEG* but warned that speculation on the outcome was dangerous. Nevertheless, the excitement fuelled further rumours that Daimler might also be considering taking a stake in Porsche.

The day ended with Daimler up DM2 at DM701.50 and Porsche *stronger by DM26, or 5 per cent,* at DM547.

Deutsche Babcock, which announced a dividend increase, closed down DM6 at DM161.

Bonds traded lower by about 10 pfg with the 10-year unit yielding about 6.22 per cent.

London

THE UK equity market failed to take much joy from the half point cut in bank base rates and favourable US trade data.

The FT-SE 100 index closed just 2.4 higher on the day at 1,828.1 after opening easier and picking up slightly on Wall Street's firmer start.

Internationals rallied as the interest rate cut took upward pressure off sterling. The market's late recovery was boosted by large purchases of ICI shares.

PARIS closed mixed in thin trading overshadowed for most of the day by the impending release of US trade figures and uncertainties caused by the domestic political situation.

The market started slowly and picked up somewhat just before the US trade data was announced, on buying by both domestic and overseas investors. But it fell back again as the dollar eased against the franc. One analyst said of the day's trading: "There's no market and there won't be one until there's a clearer view – *until we know* what's happening in the election."

The opening CAC index was up 1.8 at 295.9. Nord-Est, which returned to trading after being suspended pending the outcome of a court case, lost FFr12.70, or 13.3 per cent, to FFr82.40.

BRUSSELS saw fairly busy trade but ended mixed with no major news to guide it. The Brussels stock index closed 33.75 higher at 4,852.97.

Shares in takeover target Société Générale de Belgique were quoted at BFr7,950 on the cash market, just BFr50 below the price offered by Italian financier Mr Carlo De Benedetti, whose public bid closes today.

Retailer GB-Inno rose FFr94 to FFr1,254 following recent falls caused by its adoption of a poison pill strategy. The stock saw active trading, with 52,000 shares changing hands, compared with 16,000 the previous day.

MILAN reached a new 1988 high as share prices rose in active trading by small investors and overseas buyers. The MIB index gained 17 to 1,105.

Montedison rose L55 to L1,415, helped by news of its agreement to set up a large petrochemical complex with the Soviet Union and three other western companies.

Pirelli moved against the trend, falling L55 to L2,665 after its bid for Firestone Tire and Rubber received a setback in an Ohio court. Snia, the diversified chemicals and arms manufacturer, slipped L80 to L2,450

AMSTERDAM rose to its highest for the year in selective trading, with the ANP-CBS index 1.5 higher at 245.1.

The index remains 89 points off its record high of 334.1 reached on August 14 last year. Turnover yesterday was a moderate Fl 300m, against Fl 250m on Wednesday.

Publisher Elsevier, due to announce 1987 net profits today, fell 90 cents to Fl 94.50 on profit-taking after strong recent rises.

ZURICH finished firmer but below the day's highs pending trade data news from the US. The Swiss Bank General rose 1.6 to 522.4 in moderate volume.

News of strong annual results and a higher dividend from Swissair pushed the stock up SFr10 to SFr1,190. Jacobs Suchard lost SFr165 to SFr8,260 on continued negative response to its capital increase plans, while Nestlé gained SFr190 to SFr8,840 amid rumours on Wall Street that it was interested in acquiring US food and restaurant group Pillsbury.

STOCKHOLM closed slightly down in dull trading as investors waited for the US trade data. The general index slipped 0.2 per cent to 804.8.

Telecommunications group Ericsson, which revealed a 20 per cent profits increase for 1987, rose SKr3 to SKr219.

In the forestry sector, Stora, bidding for Swedish Match, fell SKr14 to SKr380, while MoDo, which is looking to take over two other forestry groups, gained SKr2 to SKr328.

MADRID closed slightly off, led downwards by the banking sector. The general index closed 0.56 lower at 268.03.

SOUTH AFRICA

THE SOUTH African Budget on Wednesday left shares a little lower yesterday in thin trading.

In golds, Vaal Reefs lost R9 to R254 and Kloof 75 cents to R31.25. Most other minings also fell, with *De Beers off 15 cents at R28.35.*

Liberty Life lost R7 to R115 and Lifegro slipped 25 cents to R2.50 after tax increases on life insurers announced in the Budget.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MARCH 17 1988					WEDNESDAY MARCH 16 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (89)	113.37	+2.5	91.72	102.66	4.12	110.55	88.71	100.15	180.81	85.36	114.94
Austria (16)	90.16	-0.5	72.95	78.89	2.66	90.59	72.70	78.52	102.87	84.35	93.79
Belgium (48)	132.73	+0.0	107.39	115.55	4.14	132.73	106.51	114.56	139.89	94.63	116.62
Canada (126)	121.06	+0.5	97.94	109.57	3.00	120.42	96.63	109.13	141.78	98.15	132.37
Denmark (38)	118.73	-0.8	96.06	104.36	2.82	119.69	96.05	104.34	124.83	98.18	111.94
Finland (23)	120.91	-0.3	97.82	102.69	1.93	121.27	97.32	102.71	–	–	–
France (121)	84.45	-0.5	68.32	76.04	4.15	84.88	68.12	75.69	121.82	72.77	115.60
West Germany (94)	79.74	-0.5	64.52	70.09	2.64	80.17	64.33	69.71	104.93	67.78	84.00
Hong Kong (46)	101.11	+1.4	81.80	101.25	4.24	99.73	80.03	99.87	158.68	73.92	107.28
Ireland (14)	119.89	-0.3	97.00	105.91	4.17	120.27	96.51	105.91	160.22	93.50	127.50
Italy (94)	80.29	+0.7	64.96	75.07	2.57	79.70	63.96	73.81	112.11	62.99	99.66
Japan (457)	164.31	-0.1	132.93	133.57	0.52	164.41	131.94	132.40	164.41	100.00	124.76
Malaysia (36)	120.60	+2.0	97.57	119.37	3.24	118.20	94.85	116.56	193.64	93.76	130.37
Mexico (14)	145.88	-0.8	118.02	363.82	0.98	147.09	118.04	366.20	422.59	90.07	138.03
Netherland (37)	107.79	+0.0	87.20	93.45	4.90	107.82	86.52	92.49	131.41	87.70	109.96
New Zealand (23)	77.35	+2.9	62.58	61.50	5.36	75.16	60.31	59.52	138.99	64.42	92.32
Norway (24)	117.03	+0.3	94.68	101.03	3.01	116.69	93.64	100.38	185.01	95.51	124.91
Singapore (26)	112.94	+1.0	91.37	104.95	2.28	111.84	89.75	103.80	174.28	81.21	116.39
South Africa (61)	136.62	-1.2	110.53	80.72	5.26	138.25	110.94	81.68	198.09	100.00	141.24
Spain (43)	145.77	-0.9	117.93	125.23	3.38	147.15	118.08	124.85	168.81	100.00	111.84
Sweden (32)	118.56	-1.2	95.92	104.91	2.65	120.01	96.31	105.49	136.64	88.50	112.03
Switzerland (53)	85.31	-0.7	69.02	74.10	2.29	85.92	68.95	73.75	111.11	73.65	94.78
United Kingdom (327)	138.65	-0.7	112.17	112.17	4.27	139.62	112.04	112.04	162.87	99.65	128.95
USA (585)	110.51	+0.9	89.41	110.51	3.41	109.51	87.88	109.51	137.42	91.21	121.20
Europe (964)	109.53	-0.5	88.61	93.08	3.75	110.08	88.34	92.69	130.02	92.25	110.93
Pacific Basin (677)	159.81	+0.0	129.30	131.00	0.71	159.75	128.19	129.78	159.81	100.00	123.68
Euro-Pacific (1641)	139.72	-0.1	113.04	115.90	1.66	139.90	112.27	115.01	143.65	100.00	118.60
North America (711)	111.07	+0.9	89.86	110.48	3.39	110.09	88.34	109.51	137.55	91.68	121.79
Europe Ex. UK (637)	91.46	-0.3	74.00	81.10	3.27	91.77	73.64	80.54	111.97	78.89	99.79
Pacific Ex. Japan (220)	105.64	+2.1	85.47	98.14	4.13	103.47	83.04	96.10	164.03	82.92	110.45
World Ex. US (1842)	139.05	-0.1	112.50	115.43	1.74	139.22	111.72	114.58	143.38	100.00	119.36
World Ex. UK (2100)	126.98	+0.3	102.73	113.87	2.08	126.58	101.58	112.88	138.82	100.00	119.23
World Ex. So. Af. (2366)	127.95	+0.2	103.52	113.93	2.27	127.66	102.44	113.02	139.47	100.00	119.95
World Ex. Japan (1970)	110.61	+0.4	89.49	103.61	3.56	110.14	88.39	102.85	134.22	92.98	117.86
The World Index (2427)	128.01	+0.2	103.56	113.70	2.29	127.73	102.50	112.79	139.73	100.00	120.08

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Irish market closed for public holiday on March 17.